

## FRANCHISE DISCLOSURE DOCUMENT

### PHENIX SALON SUITES FRANCHISING, LLC

A Colorado Limited Liability Company  
514 Via De La Valle, Suite 203, Solana Beach, CA 92075  
(719) 785-4858 / phenixsalonsuites.com / jrivera@phenixsalonsuites.com



As a franchisee, you will operate a PHENIX SALON SUITES® business that develops fully equipped luxury suites and will license these suites to independent salon and other business professionals under the PHENIX SALON SUITES® mark. You may also operate a Phenix Salon Store at the salon that sells Phenix Salon proprietary and private label products and other merchandise.

The total investment necessary to begin operation of a single PHENIX SALON SUITES® franchised business ranges from \$710,467 to \$1,227,782. This includes approximately \$63,350 to \$89,850 to that must be paid to us or our affiliates.

You may also enter into a Development Agreement with us whereby you will develop a minimum of six or more PHENIX SALON SUITES® Businesses. The total investment necessary to begin operations under a Development Agreement for six locations ranges from \$938,467 to \$1,455,782. This includes approximately \$238,850 to \$265,350 that must be paid to us or our affiliates.

This disclosure document summarizes certain provisions of your franchise agreement, development 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, us or our affiliate company 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 the Franchise Administration Department at PHENIX SALON SUITES FRANCHISING LLC, 514 Via De La Valle, Suite 203, Solana Beach, CA 92075, (770) 670-1223, [pwatson@phenixsalonsuites.com](mailto:pwatson@phenixsalonsuites.com).

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your complete contract carefully. Show your contract and this disclosure document to an advisor, such as an attorney or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make your decision. 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 ("FTC"). 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 on franchising. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 30, 2023, amended December 1, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F-1, F-2 and F-3.
<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 D 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 Phenix Salon Suites 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 Phenix Salon Suites franchisee?</b>	Item 20 or Exhibits F-1, F-2 and F-3 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement and, if you sign a Development Agreement with the franchisor, the Development Agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in Colorado. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Colorado than in your own state.
2. **Supplier Control.** If you elect to operate a Phenix Salon Store, which is optional, 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 operation of the franchise business.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your outlet.
5. **General Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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



## Michigan Addendum to the Disclosure Document

**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 that 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, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of

first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, and 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 335-7567.

## TABLE OF CONTENTS

	<b>Page</b>
ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES ..... 1
ITEM 2	BUSINESS EXPERIENCE ..... 3
ITEM 3	LITIGATION..... 4
ITEM 4	BANKRUPTCY ..... 4
ITEM 5	INITIAL FEES..... 4
ITEM 6	OTHER FEES ..... 6
ITEM 7	ESTIMATED INITIAL INVESTMENT..... 9
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 15
ITEM 9	FRANCHISEE’S OBLIGATIONS ..... 19
ITEM 10	FINANCING..... 21
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING..... 21
ITEM 12	TERRITORY ..... 28
ITEM 13	TRADEMARKS ..... 30
ITEM 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION ..... 31
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS..... 32
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 33
ITEM 17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION ..... 33
ITEM 18	PUBLIC FIGURES..... 40
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS ..... 40
ITEM 20	OUTLET AND FRANCHISEE INFORMATION..... 45
ITEM 21	FINANCIAL STATEMENTS ..... 51
ITEM 22	CONTRACTS..... 51
ITEM 23	RECEIPTS ..... 51

### **Exhibits**

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Development Agreement
Exhibit D	Financial Statements
Exhibit E	Operations Manual Table of Contents
Exhibit F-1	Franchise Locations
Exhibit F-2	Businesses Not Yet Open
Exhibit F-3	Franchisees Who Had an Outlet Terminated, Cancelled, Not renewed, or Otherwise Voluntarily or Involuntarily Ceased to do Business under a Franchise Agreement during the Most Recently Completed Fiscal Year, or Have Not Communicated with us within 10 weeks of the Issuance Date of this Disclosure Document
Exhibit G	State Specific Addenda
Exhibit H	Release
Exhibit I	State Effective Dates
Exhibit J	Receipts

## ITEM 1

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

#### The Franchisor

The franchisor (“we” or “*PHENIX SALON SUITES*”) is PHENIX SALON SUITES FRANCHISING, LLC. “You” means the person to whom we grant a franchise.

We are a limited liability company formed in Colorado on February 10, 2010. Our principal business address is 514 Via De La Valle, Suite 203, Solana Beach, CA 92075. We operate under our corporate name and the trademarks described in Item 13 (the “*Marks*”). We do not do business or intend to do business under any other names. We currently have no parents, predecessors or affiliates required to be included in this Item (except as provided below). If we have an agent in your state for service of process, we disclose that agent in Exhibit A to this disclosure document.

We do not currently operate any PHENIX SALON SUITES® businesses but may do so in the future. We have no other business activities and have not offered franchises in any other lines of business.

#### Parents and Predecessors

Effective November 2021, our owners contributed their membership interests in us in exchange for membership interests in our current parent entity, Phenix 1929 Holding LLC (“1929 Holding”), a Delaware limited liability company formed on August 19, 2021 with a principal place of business the same as ours.

We have no predecessors required to be disclosed in this Item 1.

#### Affiliates

Our affiliate, Phenix Salon Products, LLC, a Colorado limited liability company whose principal business address is the same as ours, offers and sells products to franchisees that operate a Phenix Salon Store.

Our affiliate, Gina’s Platform LLC, a Delaware limited liability company whose principal business address is the same as ours, provides a mobile application platform for salon professionals, franchisees and the general public that provides scheduling, credit card processing, messaging, and marketing tools for salon professionals to operate their businesses.

Our affiliate, Colours by Gina LLC, a Nevada limited liability company whose principal business address is 401 Ryland St., Suite 200-A, Reno, NV 89502, sells hair care products directly to salon professionals that work for our franchisees.

Our affiliate, Phenix Company Store, LLC, a Delaware limited liability company formed on February 26, 2018 (wholly-owned by 1929 Holding), with a principal place of business the same as ours, owns and operates our affiliate-owned PHENIX SALON SUITES® businesses through various subsidiary entities.

Our affiliate, Phenix Salon LLC, a Colorado limited liability company whose principal business address is the same as ours, licenses to us the right to use, and sub-license the use of, the “PHENIX SALON SUITES®” mark.

Our affiliate, Xoxo Gina LLC, a Colorado limited liability company formed in September 2022 whose principal business address is the same as ours, retails beauty products.

Except as noted above, none of our other affiliates offers or sells any products or services to our franchisees. None of our affiliates offers or has ever offered franchises in any line of business.

### The Franchise and Development Rights Offered

We grant a franchise for a business operating under the “PHENIX SALON SUITES®” mark (the “*Franchise*”). A copy of the Franchise Agreement is attached as Exhibit B to this disclosure document. For reference purposes in this disclosure document, we call a business operating under our system a “PHENIX SALON SUITES® Business” or a “Business”. A PHENIX SALON SUITES® Business develops fully equipped luxury salon suites or a hair stylist salon and licenses these suites to independent salon professionals and other business professionals under the Phenix Salon Suites mark. PHENIX SALON SUITES® offers salon professionals the opportunity to operate independently without the hassle and expense of facility management and maintenance and to maximize their revenues and income. Though we may approve a smaller or larger location, a PHENIX SALON SUITES® Business typically occupies a space ranging from 4,250 square feet to 7,250 square feet. Suite sizes range in sizes and have been modified slightly from time to time. Currently, each suite ranges in size from approximately one hundred ten square feet for a single suite to two hundred square feet for a double suite, has a full window door with lock and is engineered acoustically to provide privacy and maintain a spacious feeling in a quiet salon setting. Suites can be customized by independent professionals, who can make changes in their personal suites to express their own sense of ownership or individuality, and may include upgraded flooring, paint, and wallpaper selected by the independent professionals.

Each Business is operated according to specified procedures. If you acquire a Phenix Salon Suites® franchise, you must operate your Business according to our business formats, methods, procedures, designs, layouts, standards, and specifications.

We also offer a Development Agreement whereby you are granted the non-exclusive right to develop at a minimum six or more franchises within an agreed upon development area (the “*Development Area*”) and to develop those franchisees in accordance with an agreed upon Development Schedule. A copy of the Development Agreement is Exhibit C to this disclosure document. Item 5 provides additional details regarding the Development Agreement. As outlined in the Development Agreement, you must sign the then-current form of Franchise Agreement for each Business location we have approved, which may differ from the current franchise agreement included with this FDD, and that you agree to open pursuant to the Development Agreement that is attached to the Development Agreement. The current form of Franchise Agreement will be the form attached to this Disclosure Document as Exhibit B.

We began offering franchises and development agreements in June 2010.

### Market and Competition

You will offer luxury salon suites to independent salon businesses (including national chains) and will compete with other renters/licensors of space for independent salon businesses or other uses or may operate a hair stylist salon and compete with other salons. The market for salon suites and these services generally is well established and very competitive. You may also confront normal business risks that could adversely affect your Business. Despite this, we believe that a “PHENIX SALON SUITES®” Business appeals to salon professionals because of the space and equipment provided and/or the ability to maximize their income. Because the licensing of salon space for the operation of a hair stylist or other types of health, wellness or beauty services is not affected by weather, your sales should not be seasonal.

## Industry Specific Regulations

You must comply with all laws and regulations that apply generally to the ownership and rental of real estate and/or the operation of a hair stylist salon within your territory or development area. These laws may include state cosmetology and/or salon regulations. You will have to obtain and comply with all necessary permits, licenses, and approvals to operate your Business, including any requirements arising under the Americans with Disabilities Act or similar rules governing public accommodations for person with disabilities. You should investigate these laws and regulations. You should also consult with your attorney concerning these and other laws and regulations that may affect the operations of your Business.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### Chairman: Jason C. Rivera

Jason C. Rivera is the co-founder of Phenix Salon Suites® and has been our Chairman since January 2022, in Carlsbad, CA. Prior to that, Mr. Rivera served as our Chief Executive Officer from February 2010 to December 31, 2021, in both Colorado Springs, CO and Carlsbad, CA. Mr. Rivera has also served as Chairman and CEO of 1929 Holding since its formation, in 2021. Mr. Rivera is Gina Rivera's spouse.

#### Chief Brand Ambassador: Gina L. Rivera

Gina Rivera is the co-founder of Phenix Salon Suites® and has been its Chief Brand Ambassador for the past five years, in Carlsbad, CA. Gina Rivera has also served as (a) the managing partner of Phenix Salon Products LLC dba by Gina, located in Colorado Springs, CO, since August 2010; and (b) the managing partner of Colours by Gina LLC, located in Minden, NV, since August 2018. Ms. Rivera is Jason Rivera's spouse.

#### President and Chief Executive Officer: Brian Kelley

Brian Kelley has served as our President and Chief Executive Officer since January 2022, in San Diego, CA. Prior to that, Mr. Kelley served as our President and Chief Operating Officer from February 2019 to December 2021, in San Diego, CA. From February 2007 to February 2019, Mr. Kelley was Managing Partner & CFO for Paradigm Investment Group, LLC, located in San Diego, CA, which operates 85 Hardee's units. From 2015 to the present, Mr. Kelley and various partners developed, owned and operated franchise outlets including under the following brands: Blaze Pizza (with units located in TX, LA, AL); Jersey Mike's (with units located in CT, NH, TX); and Delta Life Fitness (with units located in CA).

#### Executive Vice President: Jerry Griffith

Jerry Griffith was appointed Executive Vice President of 1929 Holding and has served in that position since its formation, in San Diego, CA. Prior to that, Mr. Griffith served as Executive Vice President of Phenix Salon Suites® from February 2019 to August 2021, in San Diego, CA. Mr. Griffith was our Chief Operating Officer from January 2010 to February 2019, in San Diego, CA.

#### Chief Financial Officer: Dennis J. Johanningmeier, CPA

Dennis Johanningmeier has been the Chief Financial Officer of Phenix Salon Suites® since January 2018, in Denver, CO. Since 1994, Mr. Johanningmeier has also been the Managing Member of DJJCPA, LLC, a CPA firm, located in Denver, CO.

Vice President of Franchise Development: Philip Watson

Philip Watson has been the Vice President of Franchise Development for Phenix Salon Suites® since May 2019, in Atlanta, GA. From August 2012 to May 2019, Mr. Watson was Director of Franchise Development for Tropical Smoothie Café located in Atlanta, GA.

National Director of Real Estate: Robert Aertker

Robert Aertker has been National Director of Real Estate of Phenix Salon Suites® since February 2010, in Colorado Springs, CO. Since January 2007, Mr. Aertker has also been a Principal at Landmark Commercial Group located in Colorado Springs, CO.

National Director of Construction: David Garrett

David Garrett has been National Director of Construction of Phenix Salon Suites® since August 2016, in Orlando, FL. From 2007 to August 2016, Mr. Garrett was an independent consultant for AD Owens Construction, building 20 Phenix Salon Suites® Businesses for franchisees, in Orlando, FL.

### ITEM 3

#### LITIGATION

In Re: Franchise No Poaching Provisions (SH Franchising, LLC), State of Washington, King County Superior Court, Civil Case No. 19-2-31058-8 - In or about September 2019, the Attorney General of Washington sent notice to us that it was investigating “no-poach” provisions in its franchise agreements and issued a Civil Investigative Demand requesting information related to the franchise agreements used by us. Subsequently, in October 2019, the State of Washington and us entered into and filed an Assurance of Discontinuance (“AOD”) in the matter. As part of the AOD, we agreed to: (1) notify all franchisees of the entry of the AOD; (2) seek to amend all franchise agreements with State of Washington franchisees to remove the non-solicitation of employees provision from the franchise agreements; and (3) not include the non-solicitation provision of employees in its franchise agreements for all franchisees nationwide.

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

### ITEM 4

#### BANKRUPTCY

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

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

## ITEM 5

### INITIAL FEES

#### Development Fee

If you enter into a Development Agreement with us, you must agree to develop six or more locations and pay us the entire development fee in one lump sum upon the execution of the Development Agreement (the “*Development Fee*”). The Development Fee for a minimum of six locations is calculated as follows: \$93,000 for the first two locations; \$105,000 for the third through fifth locations; and \$30,000 for the sixth location and each additional location thereafter you agree to develop under your Development Agreement. You must sign our then-current form of Franchise Agreement with us for each Business location we have approved and that you agree to open pursuant to the Development Agreement. We will not charge you a separate franchise fee, as set forth in the Franchise Agreement, and instead will credit the Development Fee towards the franchise fee payable under each Franchise Agreement. The Development Fee is fully earned and nonrefundable in consideration of administrative and other expenses we incur in entering into the Development Agreement.

#### Initial Franchise Fee

You must pay us a franchise fee of \$52,500 for each Business you agree to develop at the time you execute the Franchise Agreement with us. However, if you are an existing franchisee of our System in good standing with us and agree to develop an additional franchise Business, we will agree to reduce the initial franchise fee from \$52,500 to \$40,500 for each additional franchise Business you agree to develop. During the 2022 fiscal year, we collected initial franchise fees ranging from \$0 to \$52,500 per license.

In addition, we proudly participate in IFA’s VetFran Program, which provides financial incentives for qualified Veterans to help them acquire a franchised business. In support of this VetFran Program, we have agreed to reduce the initial franchise fee for qualified Veterans from \$52,500 to \$35,000 for each Business developed by a Veteran provided that such Veteran is not introduced to us by a third party broker. A “Veteran” is defined as a person: (1) who has provided us with a DD Form 214 or other adequate documentation, as determined by us, demonstrating honorable discharge from the United States military; and (2) who holds at least 51% of your ownership interests, if you are corporate entity.

#### Other Fees

The table below includes a summary of other initial fees paid to the franchisor, explained more fully below:

Fee	Amount	Details
Site Evaluation Fee	\$3,000 per location	Nonrefundable, payable in advance
Architectural Review Fee	\$0 to \$3,500 per location	Nonrefundable, charged only if qualified architect not selected
Construction Management Fee	\$6,500	Required, payable in two installments
Initial Inventory	\$0 to \$20,000	Optional based on whether Salon option is chosen
Training Fees	\$0	Training free for up to 3 people; additional training fee \$250 per person



Gina’s Platform App fee	\$850	Salon operational software; \$250 for initial setup, monthly fee is currently \$200 per month
Meet and Greet Fee	\$0 to \$2,500	Optional; recommended when property is at least 70% occupied
Annual Meeting of Franchisees	\$500 to \$1,000	Attendance required even if location is not open

Site Evaluation Fee

The Site Evaluation Fee is the cost to visit and evaluate any potential sites for your Business to determine whether it meets our requirements. The Site Evaluation Fee is \$3,000 per location, which is payable in advance, upon your receipt of our invoice and is nonrefundable.

Architectural Plan Review Fee

The Architectural Plan Review Fee is for our review and approval of the architectural plans, which is charged **only** if you do not use one of our qualified architects. The Architectural Plan Review Fee is \$3,500, which must be paid once the space plan has been approved by us and official notification of such written approval has been given by us (typically by email) and before the approved space plan is released to the architect. This fee is nonrefundable.

Construction Management Fee

The Construction Management Fee is for our assistance in reviewing information on a contractor, including a review of the final contract, general project management, on-site inspections where necessary and oversight. The Construction Management Fee is mandatory \$6,500 and payable by you as follows: (i) fifty percent (50%) is payable upon the execution of the Lease, and (ii) the remaining fifty percent (50%) is payable six months after execution of the Lease.

Initial Inventory

If you elect, at your option, to operate a Phenix Salon Store at your salon, then you must purchase an initial inventory of our proprietary and private label products from us before your Business opens. The cost of an initial inventory of our proprietary and private label products ranges from \$5,000 to \$20,000 and is payable upon your receipt of our invoice.

Training Fees

We provide our Initial Training Program and training materials for up to three trainees designated by you at no extra charge to you. If you send more than three people to our initial training, we will charge you a \$250 training fee for each additional person, which is payable upon your receipt of our invoice.

You are responsible for these trainees’ travel, meals and lodging expenses. Training fees are payable before you begin initial training and are uniform and non-refundable. Further information on our training program is contained within Item 11.

Gina’s Platform

You must use the Gina’s Platform app, which is designed to assist you with your daily business management, payment collection of suite rentals, point of sale system, salon professional lead management, maintenance ticketing, and other system resources to help you with your business. The one-time set up fee for the Gina’s Platform app is \$250 and the monthly fees are approximately \$200 per franchise location subject to annual inflation adjustments.

Meet and Greet Request Fee

We recommend that you conduct a Meet and Greet Event when your property is at least 70% occupied. The fee for founder Gina Rivera’s attendance at the Meet and Greet Event, which is optional, is an additional cost of \$2,500.

Annual Meeting of Franchisees

If an annual meeting of franchisees is held before you open your Business (or your first Business, as the case may be), you must attend this meeting. The fee for attending an annual meeting ranges from \$500 to \$1,000.

\* \* \* \* \*

The foregoing amounts include all fees and payments for services or goods received from us or an affiliate before your Business opens. All of the foregoing fees are fully earned when paid by you, and we have no obligation to refund these fees and outside of as disclosed above, are uniformly imposed.

**ITEM 6**

**OTHER FEES**

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	Thirty-Three Cents (\$0.33) per square foot	Payable in advance on or before the first day of each month <sup>2</sup>	The amount of the royalty is based upon the number of square feet leased by you at the Approved Location, as per the lease. We have the right to increase the royalty, effective as of January 1st of each year, by up to 3% per year, as determined by us, in our sole and absolute discretion.
National Brand Fee	Six Cents (\$0.06) per square foot	Payable in advance on or before the first day of each month <sup>2</sup>	The amount of the national brand fee is based upon the number of square feet leased by you at the Approved Location as per the lease. We have the right to increase the national brand fee, effective as of January 1 <sup>st</sup> of each year, by up to 3% per year, as determined by us, in our sole and absolute discretion.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Additional Training	\$250 per day plus expenses for training at our location (additional fees may apply if training is provided at your location)	Before training or assistance begins	We may charge you for training; for refresher training courses; and for additional or special assistance or training you need or request. You must pay and are solely responsible for your trainees' salaries and benefits, and for their travel, lodging and meal expenses.
Gina's Platform	Approximately \$200 per franchise location, subject to annual inflation adjustments	Payable in advance on or before the first day of each month <sup>2</sup>	You must use the Gina's Platform app, which is designed to assist you with your daily business management, payment collection of suite rentals, point of sale system, salon professional lead management, maintenance ticketing, and other system resources to help you with your business. The one-time set up fee for the Gina's Platform app is \$250 and the monthly fees are approximately \$200 per franchise location subject to annual inflation adjustments.
Phenix TV Software Fee	\$1,569	Payable in advance 30 days following receipt of invoice	The Phenix TV Software Fee is provided through a third party (currently, The Media Display, LLC) for digital content displayed on a HD TV monitor (purchased separately) that will be located in the lobby at your location designed to provide a directory of the salon professionals at the site. We reserve the right to offer a similar directory package through Gina's Platform for a monthly fee which will not exceed \$35 per month with no upfront costs.
Meet and Greet Event Request Fee	\$0 - \$2,500	Upon your submission of the request	Upon receipt of our invoice and prior to Meet and Greet Event. The Meet and Greet Event Request Fee is for our founder, Gina Rivera, to attend your Meet and Greet Event.
Annual Meeting of Franchisees	\$500-\$1,000	Upon registration	We will charge a registration fee to cover our expenses.
Transfer	The transferee must pay an initial franchise fee equal to 50% of our then-current standard initial franchise fee	Before the transfer is completed	We have the right to approve any transfer of interest. There is no charge if there is a transfer to an entity you own.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Testing	Our actual costs	15 days after your receipt of an invoice	This covers the costs of inspecting new suppliers you propose
Interest	Lesser of 18% per month or highest commercial contract interest rate law allows	15 days after your receipt of an invoice	Due on all overdue payments
Maintenance and Refurbishing of the Business	Our actual costs	15 days after your receipt of an invoice	If, after we notify you, you do not undertake efforts to correct deficiencies in the Business's appearance, then we can undertake the repairs and you must reimburse us.
Insurance	Our actual costs	15 days after your receipt of an invoice	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Insufficient Funds	\$30	15 days after your receipt of an invoice	Due if you have insufficient funds in your EDTA (as defined below) to cover a payment or, if you pay by check, a check is returned for insufficient funds.
Management Fee	\$200 per person per day plus expenses	15 days after your receipt of an invoice	Due if we (or a third party) manage your Business after your or your managing owner's death or disability, or after your default or abandon your Business.
Email	\$10 a month	15 days after your receipt of an invoice	You must agree to use the email address provided by us and to utilize it for the purposes of receiving notice and other communications from us.
Costs and Attorneys' Fees	Our actual costs	Upon demand	Due if you do not comply with the terms of the agreement and we incur costs and attorneys' fees.
Indemnification	Our actual costs	Upon demand	You must reimburse us if we are held liable for any claim arising from your operation of your Business.
Liquidated Damages	Lump sum payable to us as follows: (a) the average monthly Royalty, National Brand Fee, and other fees	As incurred	This fee is payable only if the franchise agreement is terminated due to your breach.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
	payable over the twelve month period immediately preceding the date of termination; (b) multiplied by the lesser of (1) thirty-six months or (2) the number of months then remaining in the Term.		

**Explanatory Notes:**

1. Unless otherwise stated, these fees are imposed and collected by and payable to us, are uniformly imposed, and are nonrefundable. Unless otherwise stated, all fees are uniformly imposed except when negotiated in special circumstances.
2. Before your Business opens, you must sign and deliver to us the documents we require to authorize us to debit your operating checking account automatically for the royalty, national brand fee, initial marketing expenses and other amounts due under the Franchise Agreement and for your purchases from us and our affiliates (the “*Electronic Depository Transfer Account*” or “*EDTA*”) (Exhibit C to the Franchise Agreement). We will debit the EDTA for these amounts on their due dates. Funds must be available in the EDTA for withdrawal. We may require payment other than by automatic debit, and you must comply with our payment instructions.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**A. Single PHENIX SALON SUITES® Business**

<b>Type of Expenditure</b>	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee <sup>(1)</sup>	\$52,500	\$52,500	Lump Sum	On signing Franchise Agreement	Us
Site Evaluation Fee <sup>(2)</sup>	\$3,000	\$3,000	Lump Sum	Upon your receipt of our invoice	Us
Real Estate/Rent - first 3 months' rent plus security deposit <sup>(3)</sup>	\$29,525	\$78,412	As Agreed	Generally, the first month's rent and a security deposit are paid when you sign a lease. Thereafter, rent is generally payable monthly.	Landlord
Architectural Plans <sup>(4)</sup>	\$7,863	\$13,413	As Agreed	As Incurred	Approved Architect or Outside Suppliers
Mechanical & Engineering Plans	\$9,775	\$16,675	As Agreed	As incurred	Approved Engineering firm or Outside Suppliers
Architectural Plan Review Fee <sup>(5)</sup>	\$0	\$3,500	Lump Sum	Upon your receipt of our invoice	Us
Construction Management Fee <sup>(6)</sup>	\$6,500	\$6,500	Lump Sum	50% upon the execution of a lease and 50% six months thereafter	Us or our designee
Utility Deposits	\$2,500	\$5,000	As Agreed	As Agreed	Outside Suppliers

Type of Expenditure	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is To Be Made
Leasehold Improvements <sup>(7)</sup>	\$722,500	\$1,232,500	As Agreed	As Incurred	Outside Suppliers
Initial Marketing Expenses <sup>(8)</sup>	\$10,000	\$15,000	As Agreed	As Incurred	Outside Suppliers
Computer	\$1,000	\$2,000	As Agreed	As Incurred	Designated Suppliers
Phenix TV <sup>(11)</sup>	\$2,169	\$2,169	As Agreed	As Incurred	Designated Suppliers
Furniture, Fixtures, Equipment, Interior Signs and Furnishings <sup>(12)</sup>	\$75,296	\$116,783	As Agreed	As Incurred	Designated and Approved Suppliers
Exterior Signs	\$6,900	\$13,800	As Agreed	As Incurred	Outside Suppliers
Annual Meeting of Franchisees	\$500	\$1,000	Lump Sum	Upon registration	Us
Training Expenses (out-of-pocket costs for two people)	\$1,500	\$2,500	As Incurred	As Incurred	Third Parties
Insurance – first 3 months <sup>(13)</sup>	\$1,500	\$3,970	As Incurred	As Incurred	Approved Insurance Company(ies)
Professional Fees <sup>(14)</sup>	\$0	\$10,000	As Incurred	As Agreed	Third Party
Licenses, Permits and Business Formation <sup>(15)</sup>	\$5,000	\$15,000	As Incurred	As Incurred	Third Parties
Gina's Platform <sup>(16)</sup> incl. first 3 mos of service	\$850	\$850	As Incurred	As Incurred	Us
Additional Funds – first 3 months <sup>(17)</sup>	\$22,881	\$32,385	As Incurred	As Incurred	Employees, Third Parties
Total Estimated Initial Investment <sup>(18)</sup>	\$961,759	\$1,626,956			
Landlord Contributions <sup>(19)</sup>	(\$251,292)	(\$428,675)	One to 3 payments	Upon construction milestones	Franchisee
<b>Adjusted Estimated Initial Investment<sup>(20)</sup></b>	<b>\$710,467</b>	<b>\$1,198,282</b>			
<b>OPTIONAL</b>					



Type of Expenditure	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Inventory (Optional) <sup>(9)</sup>	\$0	\$20,000	As Incurred	Prior to opening	Us
Meet and Greet Event Request Fee (Optional) <sup>(10)</sup>	\$0	\$2,500	ACH	Upon receipt of our invoice and prior to Meet and Greet Event	Us
Meet and Greet Event (Optional) <sup>(10)</sup>	\$0	\$5,000	As Incurred	As Incurred	Outside Suppliers
POS System <sup>(11)</sup>	\$0	\$2,000	As Agreed	As Incurred	Designated or Approved Suppliers
<b>TOTAL (w/OPTIONAL)</b>	<b>\$710,467</b>	<b>\$1,227,782</b>			

**Explanatory Notes:**

1. The initial franchise fee is \$52,500 and is further described in Item 5. As discussed in Item 5, the initial franchise fee for the second franchise is \$40,500.
2. The Site Evaluation Fee is the cost to visit and evaluate any potential sites for your Business to determine whether it meets our requirements. The Site Evaluation Fee is \$3,000 per market tour, which is payable in advance, upon your receipt of our invoice and is nonrefundable.
3. A PHENIX SALON SUITES® Business typically occupies a space ranging from 4,250 square feet to 7,250 square feet. If PHENIX SALON SUITES® Business is larger than this range, your costs may be higher. Conversely, if a PHENIX SALON SUITES® Business is smaller than this range, your costs may be lower. A PHENIX SALON SUITES® Business can be located on the first or second floor, in a strip shopping center, lifestyle center, free standing unit, shopping mall and other venues in commercial areas and in residential areas. We anticipate that you will rent the Business premises. Rent is expected to range from \$8,017.73 to \$13,677.30 per month, depending upon geographic location, size, local rental rates, current economic environment, businesses in the area, site profile, and other factors, with a security deposit of \$5,472.23 to \$37,379.93. Generally, the first month's rent and a security deposit are payable upon the execution of the lease and then rent is payable on a monthly basis. However, we recommend that you negotiate one to six months free rent following issuance of a certificate of occupancy and/or contribution allowances from the landlord towards the buildout. In lieu of renting, you might choose to buy real estate on which a building suitable for the Business is already constructed or can be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Rent or purchase price is normally considerably higher in large metropolitan areas than in more suburban or small-town areas.
4. The architect you hire will provide architectural services relating to the build-out of the Business location. At your option, you may engage either one of our approved architects or an approved architect of your choice that meets our qualifications to provide an "as-built" of the space before

drafting of the architectural plans required for your property, as designated in form by us in the Manual. Costs may vary but will be largely based on the size of the location.

5. The Architectural Plan Review Fee is for our review and approval of your space design and layout and is only charged if you do not use one of our designated architects. The Architectural Plan Review Fee is \$3,500, which must be paid once we have approved of your space plan in writing. This fee is nonrefundable.
6. We charge a Construction Management Fee for assistance in reviewing information on a contractor, including a review of the final contract, and for general project management and oversight. This mandatory Construction Management Fee is \$6,500, which fifty percent (50%) is payable upon the signing of the Lease and the remaining fifty percent (50%) is payable six months after the signing of the Lease.
7. Leasehold improvement costs, including floor covering, wall treatment, counters, ceilings, painting, plumbing, HVAC systems, window coverings, electrical, carpentry, and similar work, and architect's and contractor's fees, depend on the site's condition, location, and size; the demand for the site among prospective lessees; the site's previous use; the build-out required to conform the site for your Business; and any construction or other allowances the landlord grants. The lower figure assumes that you will buildout a PHENIX SALON SUITES® Business that is on the lower end of the range of the square footage outlined in Note 3 above in an existing building; the higher figure assumes a buildout a PHENIX SALON SUITES® Business that is on the higher end of the range of the square footage outlined in Note 3 above in an existing building.
8. This item represents the out-of-pocket costs that you are likely to incur in marketing your Business, which may include banners, signs, postcards, social media plans and other direct mail advertisements.
9. If you operate a Phenix Salon Store at the location of your Business, then you must purchase an initial inventory of our proprietary and private label products from us before your Business opens.
10. We recommend that you conduct a Meet and Greet Event when your property is at least 70% occupied. The cost of the Meet and Greet Event ranges from \$3,000 to \$5,000. The fee for founder Gina Rivera's attendance at the Meet and Greet Event, which is optional, is an additional cost of \$2,500.
11. If you operate a Phenix Salon Store at your salon, then you must purchase and utilize a POS system. Details of this POS System is described in Item 11. In addition, the Phenix TV Fee is provided through a third party (The Media Display, LLC) for digital content displayed on a HD TV monitor purchased separately to be located in the lobby at each location and designed to provide a directory of the salon professionals at the location. We reserve the right to offer a similar directory package through Gina's Platform for a monthly fee which will not exceed \$35 per month with no upfront costs.
12. These amounts include the equipment that you must purchase from our designated supplier. We will determine the amount of equipment that you will need to purchase, based upon the number of suites at your location. The lower figure assumes that you are operating a PHENIX SALON SUITES® Business that is on the lower end of the range of the square footage outlined in Note 3 above. The higher figure assumes that you are operating a PHENIX SALON SUITES® Business that is on the higher end of the range of the square footage outlined in Note 3 above.

13. You must obtain and maintain certain types and amounts of insurance. Item 8 describes in further detail these requirements. The cost figures stated above are only estimates. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees and lifestyle professionals, square footage, location, business contents, proximity within a flood zone and other factors bearing on risk exposure. The above estimate contemplates insurance costs for three (3) months.
14. If you engage an attorney or other professional to review and assist you to negotiate the lease, the fee for these services typically ranges from \$3,500 to \$10,000.
15. This item includes the cost of forming your business entity and obtaining necessary licenses, including any cosmetology and/or salon license required by the applicable state, and permits.
16. You must use the Gina's Platform app to manage your Business and the collection of rents, including credit card processing, and provides resources to your licensees. The one-time set up fee is \$250 with monthly fees estimated at \$200 per month. The details of this app is further described in Item 5.
17. This item estimates your expenses during the initial period of the operation of your Business (other than the items identified separately in the table). These expenses include payroll costs, but not any draw or salary for you as well as NNN charges related to your lease. These figures also do not include the costs of any optional leasehold improvements or any expenses that are based upon your Gross Sales, such as your local advertising expenses, the royalty and national brand fee, which are based upon the number of square feet of space that you lease at the Approved Location. These figures are estimates, and we cannot guarantee that you will not have additional expenses.
18. In compiling these estimates, we relied on: (i) our affiliates' experience in operating PHENIX SALON SUITES® Businesses and our franchisees' experience in operating PHENIX SALON SUITES® Businesses, adjusting for those results reported to us for the most recent fiscal year; and (ii) known contract prices based on the estimated size of the PHENIX SALON SUITES® Businesses referenced in Note 3 above. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing in general, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.
19. Landlord contributions vary based on the location, the landlord's willingness to negotiate, the proposed rental rates, the condition of the property, among other things. These estimates are based on the range of results of the PHENIX SALON SUITES® Businesses that reported their results to us and opened during the previous fiscal year.
20. The adjusted estimated initial investment reflects the estimated costs for your first PHENIX SALON SUITES® Business adjusted for landlord's contribution, if any, towards the project costs.

The above fees are non-refundable.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**B. Development Agreement to Develop a Minimum of Six PHENIX SALON SUITES®  
Businesses  
(Development of First Location Within the First 12 Months)**

Type of Expenditure	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee - for six locations <sup>(1)</sup>	\$228,000	\$228,000	Lump Sum	On signing Development Agreement	Us
Initial Investment for first PHENIX SALON SUITES® Business (adjusted for landlord contributions, w/ Optional) <sup>(2)</sup>	\$710,467	\$1,227,782	See Table A above.		
Adjusted Estimated Initial Investment <sup>(3)</sup>	\$938,467	\$1,455,782			

**Explanatory Notes:**

1. This item includes the development fee for a minimum of six locations, which is calculated as follows: \$93,000 for the first two locations, \$105,000 for the third, fourth and fifth locations, and \$30,000 for the sixth location. If your Development Agreement provides for the development of more than six locations, the amount of the development fee will increase by \$30,000 for each additional location beyond the initial six locations you agree to develop. Unless otherwise stated, these fees are uniformly imposed except when negotiated in special circumstances.
  
2. See notes to Table A above regarding initial investment cost for first PHENIX SALON SUITES® Business. Please note that this estimate does not include the initial investment to open any additional PHENIX SALON SUITES® Businesses after the first because those costs will not be incurred during the first 6 months after the opening of the first PHENIX SALON SUITES® Business.
  
3. We relied on our affiliates' experience in operating PHENIX SALON SUITES® Businesses and our franchisees' experience in operating PHENIX SALON SUITES® Businesses, adjusting for those results reported to us for the most recent fiscal year to compile these estimates. You should review these figures carefully with a business advisor before deciding to commit to enter into a Development Agreement with us to develop the six locations or more. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

None of these fees are refundable.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To maintain the quality of the services that each PHENIX SALON SUITES® Business provides and our system's reputation, we may require you to purchase or lease items from us, our affiliates, or other designated or approved suppliers. We may condition your right to buy or lease any goods or services (besides those described above that you may obtain only from us, our affiliates or other specified exclusive sources) on you meeting our minimum standards and specifications or being purchased from suppliers that we approve. We will formulate and modify standards and specifications based on our, our affiliates, and our franchisees' experience in operating PHENIX SALON SUITES® Businesses. Our standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. The criteria for our approval of suppliers are available to you in our Operations Manual or other written communications that will identify our standards and specifications.

We estimate that purchase or leases from us or our affiliates, from designated or approved suppliers, or in accordance with our specifications and standards, will be approximately 80-90% of your total purchases and leases in establishing your PHENIX SALON SUITES® Business, and approximately 60% of your total purchases and leases while operating your PHENIX SALON SUITES® Business.

#### Purchases or Leases from Us or Our Affiliates

If you elect to operate a Phenix Salon Store, you must purchase our proprietary or private label products only from us or an affiliate (or other specified exclusive sources that we have approved) at the prices that we and they decide to charge, which will include a mark-up cost. We restrict your sources of our proprietary or private label products in order to protect our trade secrets, assure quality, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service, control usage of our Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items.

You must also purchase the Gina's Platform suite management software program only from us. This app contains a number of features designed to assist you in your business, including an appointment scheduler, a marketing system, and a quick pay point of sale feature. There is a one-time \$250 onboarding charge and monthly charges of \$200 which shall be subject to inflation.

Currently, except as disclosed above, we and our affiliates are not the only suppliers of any other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business. Other than those described in this Item, you are not required to purchase any other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business from us or our affiliates.

#### Purchases or Leases from Designated and Approved Suppliers

You must use one of our third-party qualified architects to prepare or review the space plan for your Business. Space planning is the starting point to determine how many suites can fit into your space based upon our specifications. After the space planning has been completed, you can use our third-party qualified architect for the remainder of the work or a licensed architect of your own choice that meets our qualification requirements. You must enter into an approved written agreement with a licensed general contractor that meets our qualification requirements for the construction of your salon. In all events, all construction must comply with and/or meet our design plans and specifications.

In addition, you must purchase the Point of Sale (POS) System, if you elect to operate a Phenix Salon Store at your Business location, and all of your furniture, fixtures, equipment, furnishings and signs from designated or approved suppliers. Our designated or approved suppliers are currently the only suppliers of these items. Our designated or approved suppliers are not currently the only suppliers of any other items.

If you want to use any item or service that we have not yet evaluated or to buy or lease from a supplier that we not designated or have not yet approved, you first must send us sufficient information, specifications, and samples so that we can determine whether the item or service complies with System Standards or the supplier meets approved supplier criteria. We may charge you or the supplier a reasonable fee for the evaluation and will decide within a reasonable time (generally no more than 30 days) whether to approve the supplier. We periodically will establish procedures for your requests and may limit the number of approved items, services or suppliers, as we think best.

Supplier approval might depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited number of suppliers to obtain better prices and service, and/or a supplier's willingness to pay us or our affiliates for the right to do business with our system. Supplier approval might be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to make sure that the supplier meets our standards. If it does not, we may revoke our approval by notifying the supplier and you in writing. We have no obligation to approve any request for a new supplier, product, or service.

We will identify all designated and approved suppliers in the Operations Manual or other written communications. There are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate for your Business that you currently must buy or lease from us, our affiliates or designated suppliers.

We and our affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with you and other franchisees and to use all amounts that we and our affiliates receive without restriction (unless we and our affiliates agree otherwise with the supplier) for any purpose that we and our affiliates deem appropriate. Currently, neither we nor any affiliate receive payments from suppliers on account of their actual or prospective dealings with you or other franchisees.

Except as disclosed above, you are not currently required to purchase any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating a Business from designated or approved suppliers.

#### Purchases or Leases in Accordance with Our Specifications

You may purchase the computer system and specified software that you are required to use in connection with the operation of your Business from any supplier(s), so long as each component of the computer system meets our specifications.

Except as disclosed above, you are not currently required to purchase any other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable Items related to establishing or operating your Business in accordance with our specifications.

#### Revenue Derived from Franchisee Purchases; Purchasing Cooperatives

During fiscal year 2022, we did not derive any revenue (other than the fees described in Items 5 and 6) from selling items to franchisees, nor did we or any affiliate receive any rebates from suppliers on account of purchases of required and approved items by franchisees. During fiscal year 2022, our affiliate, Phenix Salon Products, derived \$9,828 in revenue from selling items to salon professionals that work for franchisees that operate a Phenix Salon Store. During fiscal year 2022, our affiliate, Colours by Gina, derived \$25,795.25 in revenue from selling items to salon professionals that work for franchisees that operate a Phenix Salon Store. During fiscal year 2022, our affiliate, Gina's Platform, derived \$8,359.56 in revenue from selling items to salon professionals that work for franchisees that operate a Phenix Salon Store.

Certain of our officers own an interest in us. Except for our affiliates, Phenix Salon Products, Gina's Platform and Xoxo Gina LLC, none of our officers currently owns an interest in any other supplier.

There currently are no purchasing or distribution cooperatives. We may, but currently do not, negotiate purchase agreements with suppliers (including price terms) for the benefit of the franchise system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

### Insurance

You must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations. You currently must have the following types of insurance:

1. Commercial General Liability Insurance, including coverage for contractual liability, personal and advertising injury, fire damage, medical expenses, having a combined single limit for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate (except for fire damage and medical expense coverage, which may have different limits of not less than \$1,000,000 for one fire and \$2,000,000 per year; and \$5,000 for one person medical expense coverage). All such coverages shall be on an occurrence basis and shall provide for waivers of subrogation;
2. All-risk property insurance, including theft and flood coverage (when applicable), written at replacement cost value covering the building, improvements, furniture, fixtures, signs, equipment and inventory. Coverage shall be written in a value which will cover not less than eighty (80%) percent of the replacement cost of the building and one hundred (100%) percent of the replacement cost of the contents of the building;
3. Employers Liability and Worker's compensation Insurance, as required by state law;
4. Business interruption insurance coverage limits based on average monthly income for loss of income and other expenses with a limit of not less than six (6) months of coverage; and
5. Such additional insurance coverage as we may reasonably require.

You are required to submit to us evidence of insurance. If you fail to comply with our insurance requirements and to procure or maintain insurance, we have the right (but not the obligation) to obtain insurance on your behalf and to charge you, along with a reasonable fee, our expenses in securing insurance.

### Advertising Materials

Before you use any advertising materials, you must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written disapproval within five business days after we receive the materials, they are deemed to be approved. You may not use any advertising, promotional, or marketing materials that we have not approved or that we have disapproved.

### Development

You must develop the Business in accordance to our standards. We will give you mandatory and suggested specifications and layouts for a PHENIX SALON SUITES® Business, including requirements for dimensions, design, image, interior layout, décor, Operating Assets, and color scheme, and you must comply with all mandatory specifications. These specifications and layouts might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for person with disabilities. You are responsible for complying with the ADA and other applicable laws, rules and regulations. You must prepare a site survey and all required construction plans, periodic submittals from your general contractor reporting project updates and specifications for the Business site and make sure that they comply with the ADA and similar rules, other applicable ordinances, building codes, permit requirements, lease requirements and restrictions and our specifications.

### Business Site

The Business must be located at a site that we approve in writing. You are required to submit a fully executed letter of intent prior to lease execution and a fully executed lease including the Franchise Addendum to Lease (Exhibit D to the Franchise Agreement) prior to initiating the construction process. We also have the right to approve your lease or sublease and to require that it include certain provisions, including our right to occupy the Business site if the Franchise is terminated or not renewed or if you lose possession because of your default under the lease pursuant to a Franchise Addendum to Lease. You may not sign a lease for the Business without our prior written approval.

## ITEM 9

### FRANCHISEE’S OBLIGATIONS

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

### FRANCHISE AGREEMENT

Obligation	Section in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	VI.A., XIII.G., XIII.R., XXI.A.	Items 7, 8, 11 and 12
b. Pre-opening purchases/leases	IX.A., XIII.G.	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	VIII., XIII.G., XXI.A.	Items 7, 9 and 11



<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Item in Disclosure Document</b>
d. Initial and ongoing training	XIII.S., XXI.E., XXI.F.	Items 6, 7 and 11
e. Opening	IX.A.	Items 11
f. Fees	X.	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	XIII.A., XIII.H., XXI.E., XXII.	Items 8 and 11
h. Trademarks and proprietary information	XIII.D., XVI., XVII.	Items 13 and 14
i. Restrictions on products/services offered	XIII.I.	Items 8, 11, 12 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. On-going product/service purchases	XII.I.	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	XIII.E.	Items 8, 11, 16 and 17
n. Insurance	XIV.	Items 7 and 8
o. Advertising	XI.	Items 6, 7, 8 and 11
p. Indemnification	XIX.	Item 6
q. Owner's participation/management/staffing	XIII.F., XIII.K.	Items 11 and 15
r. Records and reports	XV.	Not Applicable
s. Inspections and audits	XIII.P.	Items 6 and 11
t. Transfer	XXIII.	Item 17
u. Renewal	VII	Item 17
v. Post-termination obligations	XX., XXV.	Item 17
w. Non-competition covenants	XX.	Items 15 and 17
x. Dispute resolution	XXVI	Item 17

### DEVELOPMENT AGREEMENT

<b>Obligation</b>	<b>Section in Development Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	Article II and Attachment A	Items 7, 8, 11 and 12
b. Pre-opening purchases/leases	Not Applicable	Items 5, 7, 8 and 11

<b>Obligation</b>	<b>Section in Development Agreement</b>	<b>Item in Disclosure Document</b>
c. Site development and other pre-opening requirements	Article II and Attachment A	Items 7, 9 and 11
d. Initial and ongoing training	Not Applicable	Items 6, 7 and 11
e. Opening	Article II and Attachment A	Item 11
f. Fees	Article IV	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	Not Applicable	Items 8 and 11
h. Trademarks and proprietary information	Not Applicable	Items 13 and 14
i. Restrictions on products/services offered	Not Applicable	Items 8, 11, 12 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Article I, Section C, and Article II	Item 12
l. On-going product/service purchases	Not Applicable	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Not Applicable	Items 8, 11, 16 and 17
n. Insurance	Not Applicable	Items 7 and 8
o. Advertising	Not Applicable	Items 6, 7, 8 and 11
p. Indemnification	Not Applicable	Item 6
q. Owner's participation/management/staffing	Not Applicable	Items 11 and 15
r. Records and reports	Not Applicable	Not Applicable
s. Inspections and audits	Not Applicable	Items 6 and 11
t. Transfer	Article VII	Item 17
u. Renewal	Not Applicable	Item 17
v. Post-termination obligations	Not Applicable	Item 17
w. Non-competition covenants	Article VI	Items 15 and 17
x. Dispute resolution	Article XII Section E	Item 17

## **ITEM 10**

### **FINANCING**

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

## ITEM 11

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

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

**Before you open the Business, we will:**

1. Give you our site selection criteria for the Business and, in certain instances, we may help you negotiate the principal business points of a lease for the site. The site must meet our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We will approve or disapprove in writing a location you propose within 30 business days after receiving your description of, and evidence confirming your favorable prospects for obtaining, the proposed site. We will use reasonable efforts to help you analyze your market area and to help determine site feasibility. (Franchise Agreement – Section XXI.A.). Failure to locate a site that we approve within 90 days of signing the Franchise Agreement is a breach of the Agreement that gives us cause to terminate your Franchise Agreement. If terminated, the initial fee paid in connection with the terminated Franchise Agreement is non-refundable. The location of all units developed pursuant to a Development Agreement must be approved by us and meet our then-current standards for sites. The protected territories for all units developed pursuant to a Development Agreement will be set forth in the then-current Franchise Agreement that you enter into with us at the time we approve of your location.
2. Give you mandatory and suggested specifications and layouts for a PHENIX SALON SUITES® Business, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, furnishings, and color scheme. If you elect, at your option, to operate a Phenix Salon Store, we will also sell you your opening inventory, but do not place orders or deliver, the equipment, fixtures, opening inventory and supplies not provided by Colors by Gina. We will provide you with the contact information for the architect that does the space planning, design and engineering for our affiliate's locations and who is familiar with our requirements. We will also provide you with the designated suppliers of the necessary equipment, signs and fixtures. (Franchise Agreement – Section XXI.B.)
3. Help you recruit a contractor and negotiate the final bid and make a site visit during the construction of your first location. (Franchise Agreement – Section XXI.C.)
4. Help you establish a marketing plan for your salon suite rentals during construction, at your option, in the method we designate. (Franchise Agreement – Section XXI.D.)
5. Provide to you one copy of the Operations Manual, the current table of contents of which is in Exhibit E, which could include audiotapes, videotapes, compact disks, computer software, other electronic media, and/or written materials. (Franchise Agreement – Section XXI.G.) The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules ("*System Standards*") that we periodically require. These are the administrative, bookkeeping, accounting, and inventory control procedures you will need. We may modify the Operations Manual periodically to reflect changes in System Standards.
6. Advise you on advertising program for the Meet and Greet Event. (Franchise Agreement – Section XXI.F.)

7. Train you (or your managing owner) and up to two manager-level employees. (Franchise Agreement – Section XXI.E.) This training is described below.

**Training**

If this is your first PHENIX SALON SUITES® Business, then before the Business opens, we will provide our Initial Training Program to you (or your managing owner) and up to two of your manager-level employees with respect to the operation of a PHENIX SALON SUITES® Business, consisting of two days of training at our training facility in Carlsbad, CA, Las Vegas, NV, or a designated PHENIX SALON SUITES® location and one and one-half days of training at your location during the opening week (the “*Initial Training Program*”). If you (or your managing owner) and one of your manager-level employees cannot successfully complete the initial training to our satisfaction, we may terminate the Franchise Agreement.

The Initial Training Program consists of the following:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job training</b>	<b>Location</b>
MODULE I – 1/2 Day			
Introduction/History/Philosophy of the Franchisor/Brand Development	3	0	Las Vegas, NV, or Carlsbad, CA (or a designated PHENIX SALON SUITES® location)
MODULE II – 1 Day			
Franchisee Obligations Business Set Up Real Estate & Construction Licensing & Insurance Vendors Advertising Suite Tour Use of Franchisee Portal	8	0	Las Vegas, NV, or Carlsbad, CA (or a designated PHENIX SALON SUITES® location)
MODULE III – 1 Day			
In Store Operations Store Management Store Procedures	8	0	Las Vegas, NV, or Carlsbad, CA (or a designated PHENIX SALON SUITES® location)
MODULE IV – 1/2 Day			

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job training</b>	<b>Location</b>
Overall Store Operations	0	4-6	Your Location
MODULE IV – 1/2 Day			
Overall Store Operations	0	4	Your Location
<b>TOTALS – 3.5 Days</b>	<b>19</b>	<b>8-10</b>	

Jason Rivera, our co-founder and Chief Executive Officer, oversees all training and Gina Rivera, our co-founder, assists. Gina Rivera has over 22 years of progressive experience in the beauty salon industry and Jason and Gina Rivera have owned and operated salon businesses since August 2003. The Operations Manual is used as the principal instruction material. Gina became one of the top hair stylists in the U.S. and is an expert and a leader in the field of salon management and salon suite management. Other individuals facilitate various components of training under the direction of Jason and Gina Rivera.

The Initial Training Program is conducted on an as-needed basis, at a designated Phenix Salon Suites location or at our training facility in Carlsbad, CA or Las Vegas, NV. Our intent is to be flexible in scheduling training to accommodate our personnel and you (and any of your applicable personnel).

In addition to the training fees, if applicable, you must also pay for all travel and living expenses that you and your management employees incur and your management employees' wages and workers' compensation insurance while they attend training.

The Initial Training Program and Retail Store Training, if applicable, will be provided after you sign the Franchise Agreement and you (or your managing owner) must complete training before you may open your Business.

You may have additional people attend the Initial Training Program if you pay our then-current training charge for each additional person. You (or your managing owner) and/or your managers may also be required to attend and satisfactorily complete various training courses that we periodically provide at the times and locations we designate. We may charge you a fee for training additional managers. We will not require attendance for more than a total of 5 days during a calendar year. Besides attending these courses, you must attend an annual meeting of franchisees at a location we designate. The fee for attending an annual meeting of franchisees ranges from \$500 to \$1,000. We will not require attendance at the annual meeting for more than 3 days during any calendar year. You are responsible for all related travel and living expenses and wages, including those of your employees, to attend the annual franchisee meeting.

### Opening

We estimate that it will take approximately twelve months after you sign a Franchise Agreement or a Development Agreement to open your first PHENIX SALON SUITES® Business. You must sign a lease (or acquire real property) for an acceptable site within six months after the date of the Franchise Agreement and, unless we agree to extend this period, we may terminate the Franchise Agreement if you fail to do so. The specific timetable for opening depends on the location's size and condition; the construction schedule; the extent to which you must develop, upgrade or remodel an existing location; the delivery schedule for

the furniture, fixtures, signs and equipment; your completion of training; and compliance with local laws and regulations. You may not sign a lease (or acquire real property) for your Business without our prior written approval and you may not open your Business until: (1) we notify you in writing that the Business meets our standards and specifications; (2) you complete pre-opening training to our satisfaction; (3) you pay all amounts then due us; (4) you provide us with certificates for all required insurance coverages; and (5) you provide us with any additional information we may reasonably request. Subject to these conditions, you must open the Business within twelve months from the date of the Franchise Agreement and, unless we agree to extend this period, we may terminate the Franchise Agreement if you fail to do so. (Franchise Agreement – Section IX).

**During your operation of the Business, we will:**

1. Send one of our representatives to the Business location for a period of 1-1/2 days to assist with the Business opening for your first Business. (Franchise Agreement – Section XXI.E.)
2. Advise you regarding Business operations based on your reports and/or our inspections. We will also guide you on standards, specifications, and operating procedures and methods that PHENIX SALON SUITES® businesses use; purchasing required and authorized operating assets, trade secret products, and other items and arranging for their distribution to you; advertising and marketing materials and programs; employee training; and administrative, bookkeeping, accounting, and inventory control procedures, if applicable. We will guide you in our Operations Manuals, bulletins and other written materials; by electronic media; or by telephone consultation. (Franchise Agreement – Sections XXI.F and XXI.G.)
3. Give you, at your request (and our option), additional or special guidance, assistance, and training. (See Item 6) (Franchise Agreement – Section XXI.E.)
4. Issue and modify System Standards, products and services for PHENIX SALON SUITES® Businesses. We periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may require you to invest additional capital in the Business or incur higher operating costs. (See Item 16) (Franchise Agreement – Section XII.)
5. Be available by telephone to help provide advice and assistance. (Franchise Agreement – Section XXI.E.9.)
6. Let you use our confidential information. (Franchise Agreement – Section XVII.)
7. Let you use our Marks. (Franchise Agreement – Section XVI.)
8. Periodically offer refresher-training courses. (See Item 6) (Franchise Agreement – Section XXI.E.)
9. Advise you from time to time concerning suggested leasing/licensing prices. (Franchise Agreement – Section XXI.H.)
10. If you have entered into a Development Agreement with us, provide you with any changes to our site selection criteria, approve or disapprove the locations you propose and, if requested by you, help you negotiate the principal terms of your lease for the additional sites that you develop. You ultimately remain responsible for the negotiation of your lease, including hiring outside advisors such as a real estate broker and an attorney that we may recommend from our list of qualified attorneys.

Local Advertising

You must spend at least \$10,000 on initial marketing expenses between the time you execute your lease through 90 days after opening the Business. Thereafter, you must spend at least \$1,000.00 per month or 1% of the Business' Gross Sales, whichever is greater, to advertise and promote your Business (including the costs of listing your location online, social media, flyers, open house events and/or postcards) until such time as at least 90% of the suites are occupied. All advertising and promotional materials developed for your Business must contain notices of our Website's domain name in the manner we designate. You may not develop, maintain, or authorize any Website that mentions or describes you or the Business or displays any of the Marks. "Gross Sales" means all revenue derived from the operation of the Business, but excluding taxes collected and paid to a taxing authority.

All advertising, promotion, and marketing must be completely clear, factual, and not misleading, and must conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we periodically require. Before you use them, you must send us or our designated agency for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written disapproval within 5 days after we or our designated agency receives the materials, they are deemed to be approved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

You must list and advertise the Business in at least one recommended website directory as designated by us. (Franchise Agreement – Section XIII.)

You are not currently required to participate in a local or regional advertising cooperative.

We do not currently have a franchisee advisory council that advises us on advertising policies.

We have no obligation to spend any amount on advertising in your area or territory.

#### National Brand Fund

We have established a National Brand Fund (the "*Fund*"). You must contribute to the Fund, each month, an amount equal to equal to Six Cents (\$0.06) per square foot (the "*National Brand Fee*"), based upon the number of square feet leased by you at the Approved Location, as per your lease. We have the right to increase the National Brand Fee, effective as of January 1st of each year, up to three (3%) percent per year, as determined by us, in our sole and absolute discretion.

We use the Fund, in our sole discretion, to develop our brand and maximize recognition of the Marks and/or patronage of PHENIX SALON SUITES Businesses. We will direct all programs financed by the Fund, with sole control over such programs. We may use an in-house branding and marketing department or a national or regional advertising agency or public relations firm, or a combination of the two. The Fund may be used to pay for preparing and producing video, audio, and written advertising materials and electronic media; developing, implementing, and maintaining an electronic commerce website and/or related strategies; developing and implementing social media programs and media events; administering national, regional and multi-regional marketing and advertising programs and meetings, including purchasing trade journal, direct mail, and other media and/or Internet advertising; TV or personal appearances by co-founder Gina Rivera; celebrity endorsements; and other marketing and branding activities.

We account for the Fund separately from our other funds and will not use the Fund for our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund or the programs financed by the Fund, other administrative costs, travel

expenses of personnel, meeting costs, overhead, and other expenses that we incur in activities reasonably related to administering or directing the Fund and the programs financed by the Fund, including conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for contributions to the Fund.

The Fund is not our asset. The Fund is also not a trust. We will use the Fund only for its permitted purposes. We have no fiduciary obligation to you for administering the Fund. We may spend in any fiscal year more or less than the total contributions to the Fund in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. If not all of the contributions to the Fund are spent in the year they accrue, we will carry the balance over into the next year. We will use interest earned on contributions to the Fund to pay costs before spending the principal. The contributions to the Fund and the expenses of the Fund will not be audited. You may receive an annual accounting of expenditures of the Fund upon written request to us.

We need not ensure that the expenditures of the Fund in or affecting any geographic area are proportionate or equivalent to the contributions by PHENIX SALON SUITES Businesses operating in that area or that any PHENIX SALON SUITES Business benefits directly or in proportion to its contributions to the Fund. We are also not obligated, in administering the Fund, to make expenditures in your Protected Territory. We may use collection agents and institute legal proceedings to collect the National Brand Fee, which will be paid by the Fund. We also may forgive, waive, settle, and compromise all claims for contributions to the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce a franchisee's contributions to the Fund and, upon 30 days' prior written notice to you, reduce or suspend contributions to the Fund and the operations of the Fund for one or more periods of any length or terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will use all unspent monies for marketing and branding activities.

In the most recently concluded fiscal year 2022, the contributions to the Fund totaled \$451,591.75. In that fiscal year, the Fund was used as follows: production and media placement (36.8%); social media (27.1%); creative development (17.9%); account management (9.7%); and administrative expenses (8.5%). Other than those noted above, there are no other advertising funds to which you will have to contribute.

### Operations Manual

The Table of Contents for the Operations Manual is contained in Exhibit E to this disclosure document. The Operations Manual is approximately 270 pages. We provide you with a copy of the Operations Manual at training and then make available the Operations Manual through our online franchisee portal. In addition, we may also send you written communications, publications and advisories pertaining to our System standards, and together these will be considered a part of the Operations Manual. In addition, we may periodically revise, add to or update the Operations Manual by issuing revisions.

### Computer System

You will need a computer system and specified software for use in connection with the operation of your Business (the "*Computer System*"). The Computer System should generate reports on the sales and expenses of the Business, and costs about \$1,000 to \$2,000 for your first location. You must purchase the Computer System and software from our designated vendors. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the Computer System and software. Neither we, nor any affiliate or third party, is obligated to provide ongoing maintenance, repairs, upgrades or updates for your Computer System. We currently do not require that you purchase a maintenance, repair, upgrade,



update or service contract for your Computer System, but we reserve the right to do so in the future. We will have independent access to all of the pertinent information applicable to the Business stored in the Computer System.

The principal components of the current Computer System are as follows: (1) an operating systems supported by Windows XP or later versions; (2) 4x CD-ROM drive; (3) external modem; (4) A high-speed Internet connection (DSL, cable modem, or higher); (5) Internet Explorer 6.0 or higher or Google Chrome; (6) 2.5 GB free disk space; (7) laser printer; and (8) a compatible scanner.

You must have a functioning Phenix Salon Suites' email address so that we can send you notice and otherwise communicate with you by this method. As stated in Item 6, you are required to pay us \$10/month for this email address in order to defray our costs.

If you elect to operate a Phenix Store, which is optional, you must also purchase and use a POS System that meets our specifications and requirements in connection with the operation of the Business. The cost of a POS System is approximately \$1,500-\$2,000.

We reserve the right to change the Computer System and/or POS System requirements at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. We have independent, unlimited access to the information generated by the Computer System. We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing the Software License Agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities concerning, the software or technology.

## ITEM 12

### TERRITORY

#### Single Unit Franchise

When you purchase a Franchise, you will operate the Business at a location that we approve. You may not relocate the Business without our prior written approval. If the location for the Business (the “*Approved Location*”) has been determined prior to the execution of the Franchise Agreement, it will be specified in the Franchise Agreement. If the Approved Location for the Business has not been determined prior to the execution of the Franchise Agreement, it will be selected by you and approved by us at a later date.

#### Lease

You may not sign a lease for the Business until we have approved both the location and the lease, in writing. The lease must, among other things, include a Franchise Addendum to Lease, substantially in the form attached to the Franchise Agreement as Exhibit D, that has been approved by us. Our approval of the location for the Business may be based upon a review of salon counts within a certain radius of the proposed location, income levels, complimentary tenant mix in the center, and traffic generators, among other factors. You will not receive any rights with respect to any specific location until you sign a lease that has been approved by us and provide us with a duly executed copy of the lease and you have signed a Franchise Agreement for the specific location.

#### Protected Territory – Single Unit Franchise

You will receive a protected territory (the “*Protected Territory*”) (1) after the Approved Location has been determined and approved by us; (2) you have signed a lease for the Approved Location and have provided us with a duly executed copy; and (3) you have signed a Franchise Agreement. The Protected Territory is based upon the estimated population or daytime population, whichever is greater, within a three (3) mile radius from the Approved Location such that the radius, regardless of actual distance, is limited by and does not extend beyond any body of water that may fall within the area (the “*Surrounding Area*”). If the estimated population within the Surrounding Area is 100,000 or less, the Protected Territory is a two and one-half (2-1/2) mile radius from the Approved Location; if the estimated population within the Surrounding Area is more than 100,000 but less than 200,000, the Protected Territory is a two (2) mile radius from the Approved Location; if the estimated population within the Surrounding Area is 200,000 or more but less than 300,000, the Protected Territory is a one and one-half (1-1/2) mile radius from the Approved Location; if the estimated population within the Surrounding Area is 300,000 or more but less than 400,000, the Protected Territory is a one (1) mile radius from the Approved Location; if the estimated population within the Surrounding Area is 400,000 but less than 500,000, the Protected Territory is a one-half (1/2) mile radius from the Approved Location; and if the estimated population within the Surrounding Area is 500,000 or more, the Protected Territory is a one-quarter (1/4) mile radius from the Approved Location. The estimated population within the Surrounding Area is determined by the Sitewise software that we use in connection with the operation of our business or a similar software program that we select for that purpose.

So long as you are in full compliance with all of the terms and provisions of the Franchise Agreement and it remains in effect, we will not establish either a company-owned or licensed outlet selling the same or similar goods or services under the Marks or similar trademarks or service marks within the Protected Territory. If you fail to comply with the terms of the Franchise Agreement, we may reduce or eliminate your Protected Territory.

Except as expressly provided above, we and our affiliates retain all rights with respect to the PHENIX SALON SUITES® Business, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including but not limited to:

- (1) the right to establish and operate and to grant to others the right to establish and operate businesses offering dissimilar services, either inside or outside the Territory, under the Marks, on any terms and conditions that it deems appropriate, in its sole and absolute discretion;
- (2) the right to establish and operate, and to grant to others the right to establish and operate businesses offering Franchisor's products through similar or dissimilar channels of distribution, either inside or outside the Territory, under the Marks, on any terms and conditions that it deems appropriate, in its sole and absolute discretion;
- (3) the right to operate, and to grant others the right to operate PHENIX SALON SUITES businesses located anywhere outside the Territory under any terms and conditions that it deems appropriate, in its sole and absolute discretion, regardless of proximity to the Business;
- (4) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by PHENIX SALON SUITES Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including the Territory); and
- (5) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise regardless of the form of transaction), by a business providing products and services similar to those provided at PHENIX SALON SUITES Businesses, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory; and
- (6) the sole and exclusive right to use the Internet in connection with the marketing and promotion of PHENIX SALON SUITES Businesses, and Franchisee's use of the Internet in connection with the operation of the Business will be limited and restricted to the use authorized in the Operations Manual.

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.

#### Development Agreement

If you enter into a Development Agreement with us, you will be granted the non-exclusive right to establish PHENIX SALON SUITES® Businesses within a specific development area (the "*Development Area*") at locations that we approve in accordance with our site selection criteria. The rights with respect to any specific location within your Development Area will be granted to the first party to enter into a Franchise Agreement with us for a PHENIX SALON SUITES® Business at such location (or when we approve such location as the location for a PHENIX SALON SUITES® Business to be established by such party) and a lease for such location that we have approved. The location of all units developed pursuant to a Development Agreement must be approved by us and meet our then-current standards for sites. The

protected territories for all units developed pursuant to a Development Agreement will be set forth in the then-current Franchise Agreement that you enter into with us at the time we approve of your location.

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.

\* \* \*

We are not required to pay you if we exercise any of the rights specified above.

There are no other circumstances that permit us to modify your territorial rights.

Except as disclosed herein, you have no options, rights of first refusal, or similar rights to acquire additional franchises and you do not have the right to subfranchise. Also, you cannot relocate the Business without our prior written approval.

Although we and our affiliates have the right to do so (as described above), we and our affiliates have not operated or franchised, and have no plans to operate or franchise, other businesses. However, we have introduced a line of proprietary and private label products that you may purchase for sale at your salon and that we intend to sell through other channels of distribution, such as kiosks located at shopping malls and other high traffic locations and the Internet.

Continuation of your Franchise or territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency. Your development rights terminate if you fail to comply with the development schedule.

We do not restrict you from soliciting customers from outside your Territory, however, any use of the Internet in connection with the operation of your Business must be in the manner that we specify or approve.

### ITEM 13

#### TRADEMARKS

You will use the PHENIX SALON SUITES mark, together with any other mark(s) that we designate for use by the System (the “Marks”), in connection with the operation of the Business.

MARK	REGISTRATION NUMBER	DATE REGISTERED
	<p>3873553 5981738</p>	<p>November 9, 2010 February 11, 2020</p>

The Phenix Salon Suites® Marks have been registered by our affiliate, Phenix Salon, LLC, on the Principal Register of the United States Patent and Trademark Office (“USPTO”) on November 9, 2010 (Registration No. 3873553) and February 11, 2020 (Registration No. 5981738). All required affidavits have been filed.

Under a License Agreement with our affiliate, Phenix Salon, LLC, we have the right to use the Marks and to sublicense them to our franchisees to use in connection with the operation of PHENIX SALON SUITES® Businesses. The license agreement is perpetual, but either we or Phenix Salon, LLC may terminate it with 30 days’ notice to the other. However, termination of the license agreement by either party will not affect existing franchise agreements. No other agreement limits our right to use or license the Marks.

You must follow our rules when you use the Marks, including giving proper notices of trademarks and service mark registration and obtaining fictitious or assumed name registrations required by law. You may not use the Marks in your corporate or legal business name; with modifying words, terms, designs, or symbols (except for those we license to you); in selling any unauthorized services or products; or as part of any domain name, homepage, electronic address, or otherwise in connection with a website.

There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of the Marks, or of any person’s claim of any rights in the Marks, and you may not communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and/or Phenix Salon, LLC may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us and Phenix Salon, LLC in protecting and maintaining our interests in any litigation or PTO or other proceeding. We will reimburse you for your costs of taking any action that we asked you to take.

If it becomes advisable at any time for us and/or you to modify or discontinue using the Marks and/or to use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the Business’ signs, for any loss of revenue due to the modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

We will reimburse you for all damages and expenses that you incur in any trademark infringement or unfair competition proceeding disputing your authorized use of the Marks under the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of the Marks.

#### **ITEM 14**

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

No patents are material to the franchise.

We claim copyrights in the Operations Manual (which contains our trade secrets), advertising and marketing materials, menus, and similar items used in operating PHENIX SALON SUITES® Businesses.

We have not registered these copyrights with the United States Registrar of Copyrights but need not do so at this time to protect them. You may use these items only as we specify while operating your Business (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the Copyright Office (Library of Congress), or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the system's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; training and operations materials; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating PHENIX SALON SUITES® Businesses; marketing and advertising programs for PHENIX SALON SUITES® Businesses; any computer software or similar technology that is proprietary to us or the system; knowledge of specifications for and suppliers of Operating Assets; knowledge of the operating results and financial performance of PHENIX SALON SUITES® Businesses other than your Business; and graphic designs and related intellectual property.

All ideas, concepts, techniques or materials concerning a PHENIX SALON SUITES® Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property and part of the system. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information (including our Operations Manual) in an unauthorized manner. You must take reasonable steps to prevent improper disclosure to others and use non-disclosure and non-competition agreements with those having access. We may regulate the form of agreement that you use and will be a third party beneficiary of that agreement with independent enforcement rights.

## **ITEM 15**

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

You (or, if you are an entity, your managing owner) must act as the general manager of the Business with responsibility for direct, on-premises supervision of the Business. You (or your managing owner) must manage and supervise the Business on a full time, and not a part time basis. You must at all times honestly and carefully perform your contractual obligations to promote and enhance the Business. System Standards may regulate the Business's staffing levels, identifying the Business's personnel, and employee qualifications, training, dress, and appearance. If you are a legal entity, you must appoint an individual to serve as your "Managing Owner," responsible for overseeing and supervising the Business's operation. See Section XXIII.B.2 of your Franchise Agreement. This Managing Owner shall own a majority equity

interest (or the next highest percentage interest) in you during the entire period he or she serves as Managing Owner. The Managing Owner will be the person with whom we will communicate with in all matters. The Managing Owner must attend and successfully complete all training required by us under the Franchise Agreement and must devote his or her full-time and best efforts to the supervision and conduct of the Business.

You will need a full-time manager or part-time receptionists, unless you elect to fulfill one or both of these roles.

You must keep us informed at all times of the identity of any supervisory employees acting as assistant managers of the Business. Your assistant managers need not have an equity interest in the Business or you but must agree in writing to preserve confidential information to which they have access and not to compete with you, us, and other franchisees. We may regulate the form of agreement that you use and must be a third-party beneficiary of that agreement with independent enforcement rights.

If you are a corporation, limited liability company or partnership and you enter into a Franchise Agreement with us, each individual who or entity that holds a twenty percent (20%) or greater ownership or beneficial ownership interest in you, directly or indirectly (including each individual holding a fifty (50%) or greater interest in any partnership or corporation which has a twenty percent (20%) or greater interest in you) must enter into a continuing Personal Guaranty Agreement and a Personal Assumption of Obligations, which are attached to the Franchise Agreement as Exhibits A and B.

Similarly, if you are a corporation, limited liability company or partnership and you enter into a Development Agreement with us, each of your owners must personally assume your obligations under the Development Agreement pursuant to the “Personal Assumption of Obligations” that is attached to the Development Agreement as Attachment C.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all products and services that we periodically require for a PHENIX SALON SUITES® Business and you may not offer or sell any products or offer any services that we have not authorized or approved by us. (See Item 8.)

We periodically may change required and/or authorized Items and there are no limits on our right to do so. (See Item 8 of this disclosure document).

We do not impose any restrictions or conditions that limit your access to customers, however, your use of the Internet in connection with the operation of the Business is restricted.

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

#### THE FRANCHISE RELATIONSHIP

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

**FRANCHISE AGREEMENT:**

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section VII	The franchise term expires ten years from the date of the Franchise Agreement.
b. Renewal or extension of the term	Section VII	If you are not in default and continue to have the right to occupy your premises, you may renew for one (1) successive additional ten-year renewal term.
c. Requirements for franchisee to renew or extend	Not applicable	You must: (i) give us timely notice of your wish to exercise your option to renew (not less than 6 months nor more than 12 months prior to the expiration of the term); (ii) sign our then-current form of Franchise Agreement (which may contain materially different terms and conditions than your original agreement); (iii) sign a general release in favor of us and our affiliates; (iv) not be in default of any provision of the Franchise Agreement, including any monetary obligations; (v) demonstrate your right to operate the Business at the approved premises for the renewal term; (vi) refurbish the PHENIX SALON SUITES® Business to conform to our then-current standards no later than twelve (12) months after the signing of the renewal franchise agreement; (vii) attend any refresher training required by us; and (viii) pay us a renewal fee equal to \$10,000.
d. Termination by franchisee	Section XXIII.A.	If we breach the Franchise Agreement and an arbitrator determines that we did not cure the default after receiving a notice from you, subject to state law.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section XXIV.A.	We may terminate your franchise only if you or your owners commit one of several violations. The termination of your Franchise Agreement will also permit us to terminate your Development Agreement, if applicable.



PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
g. “Cause” defined – curable defaults	Section XXIV.A.	You have 72 hours to cure health, safety, or sanitation law violations; 10 days to cure monetary defaults and failure to maintain required insurance; 30 days to cure operational defaults and other defaults not listed in (h) below.
h. “Cause” defined – non-curable defaults	Section XXIV.B.	Non-curable defaults include misrepresentation in acquiring the franchise; abandonment; unapproved transfers; conviction of a felony; dishonest or unethical conduct; unauthorized use or disclosure of the Operations Manual or other confidential information; failure to pay taxes; understating Gross Sales; repeated defaults (even if cured); an assignment for the benefit of creditors; appointment of a trustee or receiver; and violation of any anti-terrorism law.
i. Franchisee's obligations on termination/ nonrenewal	Section XXV.	Obligations include paying outstanding amounts; complete de-identification; assigning lease (if we exercise this option) and telephone to us; returning confidential information (also see (o) and (r) below).
j. Assignment of contract by franchisor	Section XXIII.B.	No restriction on our right to assign; we may assign without your approval.
k. “Transfer” by franchisee – defined	Section XXIII.A.	Includes transfer of Franchise Agreement, the Business (or its profits, losses or capital appreciation), or the Business’s assets, and ownership change in you or your owners.
l. Franchisor approval of transfer by franchisee	Section XXIII.A.	No transfer without our prior written consent.
m. Conditions for franchisor approval of transfer	Section XXIII.A.	Transferee qualifies; you pay us, our affiliates, and third party vendors all amounts due and submit all required reports; transferee (and its owners and affiliates) are not in a competitive business; training completed; lease transferred; you or transferee signs our then-current franchise agreement and other documents; transferee pays the initial franchise fee; you

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		sign a release (if law allows); we approve material terms; and transferee agrees to upgrade and remodel the Business within specified timeframe after transfer.
n. Franchisor's right of first refusal to acquire franchisee's business	XXIII.D.	We may match any offer for your Business or an ownership interest in you.
o. Franchisor's option to purchase franchisee's business	Section XXV.F	We may require you to assign your lease to us or buy your furniture, fixtures, furnishings, signs and equipment at the then-current book value after the Franchise Agreement is terminated or expires (without renewal).
p. Death or disability of franchisee	Section XXIII.C.	Assignment of franchise or an ownership interest in you to approved party within six months; we may manage the Business if there is no qualified manager.
q. Non-competition covenants during the term of the franchise	Section XX.B.	No diverting business; no ownership interest in or engaging in a competitive business anywhere (“competitive business” means any business that derives more than 5% of its revenue from licensing professional salon space or operating a salon, or any business granting franchises or licenses to others to operate such a business); no interference with our or our franchisees' employees, subject to state law.
r. Non-competition covenants after the term of the franchise expires or is terminated	Section XX.B.	No diverting business; and no ownership interest in, or engaging in a competitive business, for 2 years after the termination or expiration of the Franchise Agreement, subject to state law. The same restrictions apply after a transfer.
s. Modification of the agreement	Section XXX.G.	No modifications of Franchise Agreement generally, but we may change Operations Manual and System Standards.
t. Integration/merger clause	Section XXX.H.	Only the terms of the Franchise Agreement are binding. Any representations or promises made outside the disclosure document and

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		<p>Franchise Agreement may not be enforceable, subject to state law.</p> <p>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.</p>
u. Dispute resolution by arbitration or mediation	Section XXV.C.	Subject to state law, all disputes must be arbitrated in El Paso County, CO.
v. Choice of forum	Sections XXVI and XXX.D.	Subject to the arbitration requirement and subject to state law, litigation generally must be in courts in El Paso County, CO.
w. Choice of law	Section XXX.D.	Except for the federal arbitration act and other federal law, Colorado law governs, subject to state law.
x. Other - Liquidated Damages	Section XIV.D.	If we terminate the franchise agreement due to your default, you may be subject to liquidated damages.

**DEVELOPMENT AGREEMENT:**

<b>PROVISION</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the development term	Attachment A to the Development Agreement	The length of the development term is negotiable, based upon the number of locations to be developed.
b. Renewal or extension of the term	Not applicable	Not applicable
c. Requirements for Developer to renew or extend	Not applicable	Not applicable
d. Termination by Developer	Not applicable	Developer may terminate the agreement under any grounds permitted by law.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Articles VIII.B-D and E	We may only terminate if you or your owners commit one of several breaches. The termination of your Development Agreement will not permit us to terminate any Franchise Agreement entered into pursuant to the Development Agreement.
g. “Cause” defined – curable defaults	Not applicable	Not applicable.
h. “Cause” defined – non-curable defaults	Articles VIII.B.-D. and VIII.F.	Non-curable defaults include failure to exercise development rights in accordance with the agreed upon development schedule; unapproved transfers; insolvency, an assignment for the benefit of creditors; bankruptcy or appointment of a trustee or receiver; entry of judgment or levy of execution; default under any Franchise Agreement.
i. Developer's obligations on termination/ nonrenewal	Not applicable	Developer has no further rights or obligations under the development agreement upon its termination or expiration.

<b>PROVISION</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>SUMMARY</b>
j. Assignment of contract by franchisor	Article VII.A.	There is no restriction on our right to assign; we may assign without your approval
k. "Transfer" by Developer – definition	Article VII.B.	Includes transfer of Development Agreement and ownership change in you or your owners.
l. Franchisor approval of transfer by Developer	Articles VII.B. and VII.C.	No transfer without our prior written consent.
m. Conditions for franchisor approval of transfer	Article VII.C.	Transferee qualifies; transferee (and its owners and affiliates) are not in a competitive business; transferee signs our then-current development agreement and other documents; transferee pays the transfer fee; you sign a release (if law allows).
n. Franchisor's right of first refusal to acquire Developer's business	Not applicable	Not applicable
o. Franchisor's option to purchase Developer's business	Not applicable	Not applicable
p. Death or disability of Developer	Article VII.E.	Rights must be assigned to an approved party within 6 months.
q. Non-competition covenants during the term of the franchise	Article VI.	No ownership interest in or engaging in a competitive business, subject to state law.
r. Non-competition covenants after the term of the franchise expires or is terminated	Article VI.	No ownership interest in, or engaging in a competitive business, for 2 years after the expiration of the Development Period, subject to state law. The same restrictions apply after a transfer.
s. Modification of the agreement	Article XIII.	No modifications without the consent of both parties.
t. Integration/merger clause	Article XIII.	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and Development

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
		<p>Agreement may not be enforceable, subject to state law.</p> <p>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.</p>
u. Dispute resolution by arbitration or mediation	Article XII.E.	All disputes must be arbitrated in El Paso County, CO, subject to state law.
v. Choice of forum	Article XII.B.	Subject to the arbitration requirement, litigation generally must be in courts in El Paso County, CO, subject to state law.
w. Choice of Law	Article XII.A.	Except for the Federal Arbitration Act and other federal law, Colorado law governs, subject to state law.

## ITEM 18

### PUBLIC FIGURES

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

## ITEM 19

### FINANCIAL PERFORMANCE REPRESENTATIONS

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

The charts below show the annual gross revenue and adjusted EBITDA (sometimes referred to as “Adj. EBITDA”), occupancy rates and operating results for fiscal year ended December 31, 2022 (the “Measurement Period”) for certain franchised locations. The data is based on is based on historical results from existing franchisee Businesses as reported to us by our franchisees.

There were 307 franchised outlets open and operating as of January 1, 2022. Of those franchised outlets, we have excluded 6 outlets that were re-acquired by the franchisor or affiliates, and 2 that closed during 2022 (both of these closed outlets were open for more than 12 months prior to closing). In addition, we have excluded 27 franchised outlets that opened during 2022 and thus were not open for the entire Measurement Period. Therefore, there are 299 eligible franchised locations for inclusion in Item 19 (“Eligible Franchised Locations”).

Additionally, we rely on our franchisees to provide us the data we need to include in this Item 19. Of the Eligible Franchised Locations, this Item 19 discloses the results of 127 franchised locations that responded to our request for information with respect to gross revenues and adjusted EBITDA (the “Disclosed Financial Locations”). Of the Eligible Franchised Locations, this Item 19 discloses the results of 182 franchised locations that responded to our request for information with respect to occupancy rates (the “Disclosed Occupancy Locations” and with the Disclosed Financial Locations, collectively referred to as the “Disclosed Locations”).

Chart 1 below reflects the Gross Revenues for the Measurement Period for the Disclosed Financial Locations. Chart 2 shows a breakdown of the Gross Revenues for the Measurement Period for the Disclosed Financial Locations.

**Chart 1**

<b>Annual Gross Revenue<sup>1</sup> (of Disclosed Financial Locations)</b>	
Average	\$ 467,819 <sup>2</sup>
Highest	\$ 1,062,513
Lowest	\$ 172,495
Median	\$ 442,634
Average of top 50%	\$ 593,992 <sup>3</sup>
Average of bottom 50%	\$ 339,643 <sup>4</sup>

**Notes to Chart 1:**

1. “Gross Revenue” is defined as total amount of sales recognized for a reporting period, prior to any deductions.
2. Of the Disclosed Financial Locations, 55, or 43.3%, exceeded the Average Annual Gross Revenue.
3. Of the Disclosed Financial Locations in the Top 50%, 24, or 36.4%, exceeded the Average Annual Gross Revenue for the Top 50%. The high of this set is \$1,062,513, the low of this is set \$442,634, and the median of this set is \$525,786.

4. Of the Disclosed Financial Locations in the Bottom 50%, 34, or 51.5%, exceeded the Average Annual Gross Revenue for the Bottom 50%. The high of this set is \$441,407, the low of this is set \$172,495, and the median of this set is \$353,171.



**Chart 2**

<b>Annual Gross Revenue (of Disclosed Financial Locations)</b>		
	<b>Number</b>	<b>Percentage</b>
< \$200,000	2	2
\$200,001 – \$300,000	14	11
\$300,001 - \$400,000	37	29
\$400,001 - \$500,000	35	27
> \$500,000	39	31

Chart 3 below reflects the Adjusted EBITDA for the Measurement Period for the Disclosed Financial Locations.

**Chart 3**

<b>Adjusted EBITDA (of Certain Franchise Locations)</b>	
Average	\$ 171,885.47
Highest	\$ 552,951.44
Lowest	\$ 2,810.20
Median	\$ 148,196.66
Average of top 50%	\$ 245,249.26
Average of bottom 50%	\$ 97,357.19

**Notes to Chart 3:**

1. “EBITDA” is defined as Gross Revenues less all operating expenses before interest, taxes, depreciation and amortization.
2. “Adjusted EBITDA” referred to in the above Charts, including Chart 6, represents EBITDA adjusted for a few non-operational and nonrecurring expenses as reported by franchisees including management fees paid to owners, charges for auto expenses above the cost of operating a salon suite, items that would be capitalized if not for bonus depreciation, offsite storage, and other non-site level charges.
3. Of the Disclosed Financial Locations, 50, or 39.4%, exceeded the Average Adjusted EBITDA.
4. Of the Disclosed Financial Locations in the Top 50%, 23, or 34.8%, exceeded the Average Adjusted EBITDA for the Top 50%. The high of this set is \$552,951, the low of this is set \$148,197, and the median of this set is \$208,468.

5. Of the Disclosed Financial Locations in the Bottom 50%, 38, or 60.3%, exceeded the Average Adjusted EBITDA for the Bottom 50%. The high of this set is \$148,021, the low of this is set \$2,810, and the median of this set is \$111,417.
6. The information in Chart 3 is based on the financial information reported by the Disclosed Financial Locations which, in some cases, includes certain non-operating expenses and other adjustments as outlined in note 2 above. In those circumstances, adjustments were made to EBITDA in order to report actual salon level operational results.

Chart 4 below reflects occupancy rates at the end of 2022 that were reported to us by the Disclosed Occupancy Locations.

**Chart 4**

<b>Occupancy Rates as of December 31, 2022 (of Certain Franchise Locations)</b>		
	<b>Occupancy</b>	<b># of Suites *</b>
Average	92.9%	33
Median	96.4%	31
High	100.0%	74
Low	37.0%	16
Average top 50%	98.9%	33
Average bottom 50%	86.6%	33

**Notes to Chart 4:**

1. Of the Disclosed Occupancy Locations, 121, or 66.5%, exceeded the Average Occupancy Percentage.
2. Of the Disclosed Occupancy Locations in the Top 50%, 58, or 63.7%, exceeded the Average Occupancy Percentage for the Top 50%. The high of this set is 100%, the low of this set is 96.4%, and the median of this set is 100%.
3. Of the Disclosed Occupancy Locations in the Bottom 50%, 63, or 69.2%, exceeded the Average Occupancy Percentage for the Bottom 50%. The high of this set is 96.3%, the low of this is set 37.0%, and the median of this set is 90.6%.
4. While the figures for occupancy and number of suites correlate to the average and median figures represented above, the figures for high and low occupancy and suites do not. The high and low figures represent the high and low of each respective category. For example, the “low” figure of 16 represents the smallest location reporting the number of suites, while the low figure of 37.0% occupancy is the lowest occupancy rate reported to us.

### Chart 5

The Chart below reflects operating results categorized by ranges of salon size square footage for the Disclosed Occupancy Locations (for column C) and Disclosed Financial Locations (for columns, D, E and F).

A	B	C	D	E	F
Salon Size (sq. ft)	# of units	Average Occupancy as of 12/31/2022	Average Revenue	Average Adjusted EBITDA	Adjusted EBITDA / Avg Revenue
under 4,500	18	92.7%	\$ 298,474	\$ 96,020	32.2%
4,501-6,000	60	92.8%	\$ 405,866	\$ 145,674	35.9%
> 6,000	49	91.8%	\$ 605,887	\$ 231,849	38.3%
Total	127	92.9%	\$ 467,819	\$ 171,885	36.7%

### Chart 6

Fiscal Years 2021 and 2022 Annual Gross Revenue, ADJ. EBITDA, and Occupancy		
ANNUAL GROSS REVENUE	2021	2022
Average	\$ 420,632	\$ 467,819
Median	\$ 404,201	\$ 442,634
ADJ. EBITDA		
Average	\$ 140,450	\$ 171,885
Median	\$ 131,248	\$ 148,197
OCCUPANCY (as of 12/31)		
Average	95.4%	92.9%
Median	100.0%	96.4%

#### Notes to Chart 6

- Chart 6 compares the results for those salon suite locations reporting over each respective period. The salon suite locations reporting for each period are not necessarily the same locations year-to-year, since franchisees that submitted information in 2021 were, in some cases, not the same franchisees that submitted information for 2022, but are representative of the locations opened during each respective year accordingly. The occupancy results reported in Chart 6 reflect the results as of each respective year end.

#### Notes to Item 19:

- The data is based on the historical results from existing franchisee Businesses as reported to us by our franchisees.
- Neither we nor an independent accountant has independently audited or verified the information provided in this Item 19.

3. You should conduct an independent investigation of the results you will likely obtain in operating your Business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information. We strongly urge you to consult with your financial advisor or personal accountant concerning the financial analysis that you should make in determining whether or not to purchase a Phenix Salon Suites franchise.

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

Written substantiation of the data used in preparing these financial performance representations will be made available to you upon reasonable request.

Other than the foregoing, we do not make any representations about a franchisee's future financial performance. 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 Business, however, we may provide you with the actual records of that Business. 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 Brian Kelley, Phenix Salon Suites Franchising, LLC, 514 Via De La Valle, Suite 203, Solana Beach, CA 92075, (719) 785-4858, the Federal Trade Commission and any appropriate state regulatory agencies.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**ITEM 20**

**OUTLET AND FRANCHISEE INFORMATION**

**TABLE NO. 1**

**SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS 2020 TO 2022**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	255	285	+30
	2021	285	307	+22
	2022	307	326	+19
Company-Owned	2020	5	6	+1
	2021	6	7	+1
	2022	7	15	+8
Total Outlets	2020	260	291	+31
	2021	291	314	+23
	2022	314	341	+27

**TABLE NO. 2**

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO  
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)  
FOR YEARS 2020 TO 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2020	1
	2021	2
	2022	2
Florida	2020	0
	2021	2
	2022	0
North Carolina	2020	0
	2021	0
	2022	2
Texas	2020	0
	2021	1
	2022	0
Total	2020	1
	2021	5
	2022	4

**TABLE NO. 3**

**STATUS OF FRANCHISED OUTLETS  
FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Alabama	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Arizona	2020	8	0	0	0	0	0	8
	2021	8	1	0	0	0	0	9
	2022	9	1	0	0	0	0	10
California	2020	65	7	0	0	0	0	72
	2021	72	3	0	0	0	1	74
	2022	74	1	0	0	0	0	75
Colorado	2020	19	1	0	0	0	0	20
	2021	20	1	0	0	0	0	21
	2022	21	0	0	0	4	0	17
Connecticut	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Florida	2020	29	2	0	0	0	0	31
	2021	31	0	0	0	0	0	31
	2022	31	2	0	0	0	0	33
Georgia	2020	11	3	0	0	0	0	14
	2021	14	2	0	0	0	0	16
	2022	16	1	0	0	0	0	17
Idaho	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Illinois	2020	12	0	0	0	0	0	12
	2021	12	0	0	0	0	0	12
	2022	12	1	0	0	0	0	13
Iowa	2019	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kansas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Maryland	2020	18	0	0	0	0	1	17
	2021	17	0	0	0	0	0	17
	2022	17	3	0	0	0	1	19

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Massachusetts	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Michigan	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Minnesota	2020	4	1	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	1	0	0	2	0	4
Missouri	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Nevada	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4
New Jersey	2020	0	3	0	0	0	0	3
	2021	3	4	0	0	0	0	7
	2022	7	6	0	0	0	0	13
New Mexico	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New York	2020	7	0	0	0	0	0	7
	2021	7	4	0	0	0	0	11
	2022	11	4	0	0	0	0	15
North Carolina	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	1	0	0	0	0	7
Ohio	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Oklahoma	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Pennsylvania	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	3	0	0	0	0	4
South Carolina	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Tennessee	2020	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	2021	2	3	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Texas	2020	21	9	0	0	0	0	30
	2021	30	3	0	0	0	0	33
	2022	33	0	0	0	0	0	33
Utah	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Virginia	2020	13	2	0	0	0	0	15
	2021	15	0	0	0	0	1	14
	2022	14	2	0	0	0	1	15
Washington	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
Washington, D.C.	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Wisconsin	2020	5	0	1	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Totals	2020	255	32	1	0	0	1	285
	2021	285	24	0	0	0	2	307
	2022	307	27	0	0	6	2	326

**TABLE NO. 4**

**STATUS OF COMPANY-OWNED OUTLETS  
FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2020	1	-	-	-	-	1
	2021	1	1	-	-	-	2
	2022	2	1	1	-	-	4
Colorado	2020	1	-	-	-	-	1
	2021	1	-	-	-	-	1
	2022	1	-	4	-	-	5



State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Kentucky	2020	1	-	-	-	-	1
	2021	1	-	-	-	-	1
	2022	1	-	-	-	-	1
Minnesota	2020	-	-	-	-	-	-
	2021	-	-	-	-	-	-
	2022	-	-	2	-	-	2
Indiana	2020	-	-	-	-	-	-
	2021	-	-	-	-	-	-
	2022	-	-	2	-	-	2
Ohio	2020	1	-	-	-	-	1
	2021	1	-	-	-	-	1
	2022	1	-	-	-	-	1
Total	2020	5	1	-	-	-	6
	2021	6	1	-	-	-	7
	2022	7	1	7	-	-	15

**TABLE NO. 5**

**PROJECTED OPENINGS  
AS OF DECEMBER 31, 2022**

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets <sup>1</sup>	Projected New Company-Owned Outlets
Alabama	1	1	0
Arizona	2	1	0
Arkansas	4	0	0
California	27	11	2
Colorado	0	0	1
Connecticut	1	1	0
Deleware	1	0	0
Florida	33	9	0
Georgia	9	1	0
Illinois	9	1	0
Indiana	2	0	0
Kentucky	5	1	0
Maryland	3	1	0

Michigan	5	0	0
Minnesota	0	0	0
Missouri	5	1	0
Nevada	2	0	0
New Jersey	32	9	0
New York	12	5	0
North Carolina	3	2	0
Ohio	5	1	0
Oklahoma	6	0	0
Pennsylvania	8	0	0
South Carolina	5	0	0
Tennessee	12	1	0
Texas	16	3	0
Utah	3	0	0
Virginia	3	2	0
Washington	3	0	0
Washington DC	1	1	0
Wisconsin	1	1	0
<b>Totals</b>	<b>219</b>	<b>53</b>	<b>3</b>

<sup>1</sup> Of the 53 projected to open in 2023, 8 are already open as of the issue date of this Disclosure Document.

Exhibit F-1 contains a list of names of all franchisees and the addresses and telephone numbers of their Businesses. Exhibit F-2 contains a list of the names of all franchisees who have signed a franchise agreement but have not yet opened their Businesses. Exhibit F-3 contains the name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with PHENIX SALON SUITES®. 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.

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

There is currently no franchisee advisory council that is sponsored by us.

## ITEM 21

### FINANCIAL STATEMENTS

Exhibit D contains our audited financial statements for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, and our unaudited financial statements from January 1 to September 30, 2023. Our fiscal year end is December 31 of each year.

## **ITEM 22**

### **CONTRACTS**

The following agreements related to a franchised Business are attached as exhibits to this disclosure document:

Exhibit B:	Franchise Agreement and Franchisee Representations Acknowledgement
Exhibit C:	Development Agreement
Exhibit H:	Release

## **ITEM 23**

### **RECEIPTS**

Exhibit J contains detachable documents acknowledging your receipt of this disclosure document. Please sign and date each of them as of the date you received this disclosure document and return one copy to us.

**EXHIBIT A**

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

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

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	Department of Financial Protection and Innovation <i>Los Angeles</i> 320 West 4 <sup>th</sup> Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 <i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 <i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565  Toll Free (866) 275-2676 Website: <a href="http://www.dpfi.ca.gov">www.dpfi.ca.gov</a> Email: Ask.DPFI@dpfi.ca.gov	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48909 (517) 335-7567	
Minnesota	Minnesota Department of Commerce  85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222	New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, ND 58505-0510

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

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



**PHENIX SALON SUITES FRANCHISE AGREEMENT**

**BETWEEN**

**PHENIX SALON SUITES® FRANCHISING, LLC**

**AND**

**\***

**DATED:**

**LOCATION: \***

## TABLE OF CONTENTS

	<b>Page</b>
SECTION I	FRANCHISEE’S ACKNOWLEDGEMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE ..... 2
SECTION II	FRANCHISEE’S ACKNOWLEDGEMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT ..... 2
SECTION III	ACTUAL, AVERAGE, PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS..... 2
SECTION IV	INDEPENDENT CONTRACTOR..... 3
SECTION V	FRANCHISE GRANT ..... 3
SECTION VI	APPROVED LOCATION; RELOCATION; TERRITORIAL RIGHTS; RESERVATION OF RIGHTS..... 3
SECTION VII	INITIAL TERM; RENEWAL TERM ..... 5
SECTION VIII	FRANCHISEE’S INITIAL INVESTMENT ..... 6
SECTION IX	TIME LIMITS FOR OPENING BUSINESS..... 6
SECTION X	FEES..... 7
SECTION XI	ADVERTISING ..... 8
SECTION XII	FINANCING ARRANGEMENTS ..... 9
SECTION XIII	GENERAL OBLIGATIONS OF FRANCHISEE..... 9
SECTION XIV	SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE..... 17
SECTION XV	SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS ..... 19
SECTION XVI	SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USES OF NAMES AND MARKS..... 20
SECTION XVII	SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO CONFIDENTIALITY OF PROPRIETARY INFORMATION..... 22
SECTION XVIII	SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS ..... 23
SECTION XIX	SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INDEMNIFICATION..... 24
SECTION XX	MISCELLANEOUS COVENANTS OF FRANCHISEE..... 25
SECTION XXI	OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE OR SERVICES ..... 26

**TABLE OF CONTENTS**  
(continued)

		<b>Page</b>
SECTION XXII	VARYING STANDARDS .....	30
SECTION XXIII	TRANSFER, ASSIGNMENT OR SALE OF FRANCHISE.....	30
SECTION XXIV	TERMINATION OF FRANCHISE.....	33
SECTION XXV	FRANCHISEE’S OBLIGATIONS UPON TERMINATION OR EXPIRATION .....	36
SECTION XXVI	ENFORCEMENT .....	38
SECTION XXVII	APPROVALS AND WAIVERS.....	39
SECTION XXVIII	AUTHORITY .....	39
SECTION XXIX	NOTICES .....	40
SECTION XXX	MISCELLANEOUS PROVISIONS .....	40

**Exhibits**

Exhibit A	Personal Guaranty
Exhibit B	Personal Assumption of Obligations
Exhibit C	Authorization Agreement for Direct Withdrawal
Exhibit D	Franchise Addendum to Lease Agreement
Exhibit E	Franchisee Representation Acknowledgement

***PHENIX SALON SUITES FRANCHISING, LLC***

**FRANCHISE AGREEMENT**

THIS AGREEMENT is made by PHENIX SALON SUITES FRANCHISING, LLC, a Colorado limited liability company (referred to herein as “*PHENIX SALON SUITES*” or “*FRANCHISOR*”), and the person(s) signing as FRANCHISEE(s) or Guarantor(s) (referred to herein individually or collectively as “*FRANCHISEE*”) to evidence the agreement and understanding between the parties as follows:

***RECITALS***

WHEREAS, FRANCHISOR has developed expertise (including confidential information) and a unique, distinctive and comprehensive system (the “*System*”) for the development and operation of a business offering luxury suites to independent salon and other professionals (the “*Business*”), including a distinctive exterior and interior design, trade dress décor and color scheme; uniform standards, specifications, and procedures for operations; procedures for quality control; training and ongoing operational assistance; advertising and promotional programs; and other related benefits, all of which may be changed, improved, and further developed by FRANCHISOR from time to time; and

WHEREAS, FRANCHISOR identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and other indicia of origin, including but not limited to the “PHENIX SALON SUITES” mark and such other trade names, service marks, trademarks and trade dress as are now and may hereafter be designated by FRANCHISOR for use in connection with the System (the “*Names and Marks*”); and

WHEREAS, FRANCHISOR continues to develop, use, and control the use of such Names and Marks to identify for the public the source of services and products marketed thereunder and under its System, and to represent the System’s high standards of consistent quality, appearance, and service; and

WHEREAS, FRANCHISOR has established substantial goodwill and business value in the Names and Marks, expertise and System; and

WHEREAS, FRANCHISOR offers a franchise for the right to use the Names and Marks and the System for the operation of a PHENIX SALON SUITES Business (a “*Franchise*”); and

WHEREAS, FRANCHISEE desires to purchase a Franchise from FRANCHISOR; and

WHEREAS, FRANCHISEE recognizes the benefits to be derived from being identified with and licensed by FRANCHISOR and FRANCHISEE understands and acknowledges the importance of PHENIX SALON SUITES’ high standards of quality, cleanliness, appearance, and service and the necessity of operating the Business in conformity with PHENIX SALON SUITES’ standards and specifications.

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

## SECTION I

### **FRANCHISEE'S ACKNOWLEDGEMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE**

FRANCHISEE (and each partner, shareholder or member, if FRANCHISEE is a partnership or corporation or a limited liability company) hereby represents that he, she or it has conducted an independent investigation of the Business and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will greatly depend upon FRANCHISEE's abilities as an independent businessperson, and that FRANCHISEE has adequate financial resources and capital to operate the Business. FRANCHISOR expressly disclaims the making of, and FRANCHISEE acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business contemplated by this Agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchise 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.

## SECTION II

### **FRANCHISEE'S ACKNOWLEDGEMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT**

FRANCHISEE acknowledges that it received the PHENIX SALON SUITES franchise disclosure document and the exhibits thereto ("*FDD*") at least fourteen (14) days prior to the date on which this Agreement was executed and that it received a completed copy of this Agreement and the attachments referred to herein at least seven (7) days prior to the date on which this Agreement was executed. FRANCHISEE further acknowledges having read and fully understood the FDD and this Agreement and that FRANCHISOR advised FRANCHISEE to consult with an attorney or advisor of FRANCHISEE's own choosing about the potential benefits and risks of entering into this Agreement and gave FRANCHISEE ample time and opportunity to do so prior to its execution. FRANCHISEE further acknowledges and agrees that any statements, oral or written, by FRANCHISOR or its agents preceding the execution of this Agreement were for informational purposes only and do not constitute any covenant, representation or warranty by FRANCHISOR and that the only representations, warranties and obligations of FRANCHISOR are those specifically set forth in the FDD and this Agreement and, in entering into this Agreement, FRANCHISEE is not relying on, and understands that the parties do not intend to be bound by, any statement or representation not contained herein or therein.

## SECTION III

### **ACTUAL, AVERAGE, PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS**

Outside of what is disclosed in the FDD, FRANCHISEE, and each party executing this document, acknowledges that PHENIX SALON SUITES, itself or through any officer, director, employee or agent, has not made, and FRANCHISEE has not received or relied upon, any oral or

written, visual, express or implied information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that FRANCHISEE might expect to achieve from operating the Business.

## SECTION IV

### INDEPENDENT CONTRACTOR

A. FRANCHISEE is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, FRANCHISEE shall be and hold itself out to the public as an independent contractor operating the Business pursuant to a franchise agreement with FRANCHISOR. FRANCHISEE agrees to take such affirmative action as may be necessary or required by FRANCHISOR, including, without limitation, exhibiting public notices in the manner specified by FRANCHISOR.

B. FRANCHISOR Is Not In A Fiduciary Relationship With FRANCHISEE

It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. Nothing in this Agreement authorizes FRANCHISEE, and FRANCHISEE shall have no authority, to make any contract, agreement, warranty or representation on behalf of FRANCHISOR or to incur any debt or other obligation in FRANCHISOR's name. FRANCHISOR shall not assume liability for, or be deemed liable hereunder, or be liable by reason of any act or omission by FRANCHISEE in its conduct of the Business or for any claim or judgment arising therefrom.

## SECTION V

### FRANCHISE GRANT

FRANCHISOR hereby grants to FRANCHISEE, upon the terms and conditions herein contained, and FRANCHISEE hereby accepts, the right, license and privilege to establish and operate a Business at the Approved Location (as defined in Section VI.), with the right to use, solely in connection therewith, the Names and Marks and FRANCHISOR's advertising and merchandising methods and System, as they may be changed, improved and further developed from time to time, only at the Approved Location pursuant to and in accordance with the terms and conditions hereof. Except as expressly provided in Section VI.C, the rights and privileges granted by FRANCHISOR hereunder shall be non-exclusive and non-transferable.

## SECTION VI

### APPROVED LOCATION; RELOCATION; TERRITORIAL RIGHTS; RESERVATION OF RIGHTS

A. Approved Location

The Business shall be located at the location identified on the Cover Sheet, as approved by FRANCHISOR (the "*Approved Location*"). FRANCHISEE shall not have any rights

with respect to any location until a lease that has been approved by FRANCHISOR has been signed for the Approved Location and a copy of the signed lease has been provided to FRANCHISOR. If the Approved Location is not known as of the Effective Date, the parties agree to execute and deliver a completed version of Exhibit G attached hereto upon identification, and franchisor's approval, of the Approved Location.

B. Relocation of Business

Except as otherwise provided herein, FRANCHISEE shall not relocate the Business without the express prior written consent of FRANCHISOR, which shall not be unreasonably withheld.

C. Territorial Rights

Provided that, and only so long as, FRANCHISEE remains in full compliance with all of the terms and provisions of this Agreement, FRANCHISOR shall not, during the term of this Agreement, establish nor license another party or entity to establish a PHENIX SALON SUITES Business within the Protected Territory (as defined hereinafter). For purposes of this Agreement, the "Protected Territory" is based upon the estimated population or daytime population, whichever is greater, within a three (3) mile radius from the Approved Location such that the radius, regardless of actual distance, is limited by and does not extend beyond any body of water that may fall within the area (the "*Surrounding Area*"). If the estimated population within the Surrounding Area is 100,000 or less, the Protected Territory is a two and one-half (2-1/2) mile radius from the Approved Location; if the estimated population within the Surrounding Area is more than 100,000 but less than 200,000, the Protected Territory is a two (2) mile radius from the Approved Location; if the estimated population within the Surrounding Area is 200,000 or more but less than 300,000, the Protected Territory is a one and one-half (1-1/2) mile radius from the Approved Location; if the estimated population within the Surrounding Area is 300,000 or more but less than 400,000, the Protected Territory is a one (1) mile radius from the Approved Location; if the estimated population within the Surrounding Area is 400,000 but less than 500,000, the Protected Territory is a one-half (1/2) mile radius from the Approved Location; and if the estimated population within the Surrounding Area is 500,000 or more, the Protected Territory is a one-quarter (1/4) mile radius from the Approved Location. The estimated population within the Surrounding Area is determined by the Sitewise software that FRANCHISOR uses in connection with the operation of its business or a similar software program that FRANCHISOR may select for that purpose.

FRANCHISOR shall not be required to, give notice to FRANCHISEE if FRANCHISEE's rights under this Section VI.C. terminate or are suspended by reason of FRANCHISEE's failure to any fees or other amounts or payments payable to FRANCHISOR hereunder promptly when due.

D. Reservation of Rights

Notwithstanding anything contained herein to the contrary, FRANCHISOR retains all rights with respect to PHENIX SALON SUITES Businesses, the Names and Marks and the System, including but not limited to:

- (1) the right to establish and operate and to grant to others the right to establish and operate businesses offering dissimilar services, either inside or outside the Protected Territory, under the Marks, on any terms and conditions that it deems appropriate, in its sole and absolute discretion;

- (2) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering FRANCHISOR's proprietary or private label products through any channels of distribution, either inside or outside the Protected Territory, under the Marks, on any terms and conditions that it deems appropriate, in its sole and absolute discretion;
- (3) the right to operate, and to grant others the right to operate PHENIX SALON SUITES Businesses located anywhere outside the Protected Territory under any terms and conditions that it deems appropriate, in its sole and absolute discretion, regardless of proximity to the Business;
- (4) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by PHENIX SALON SUITES Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including the Protected Territory);
- (5) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise regardless of the form of transaction), by a business providing products and services similar to those provided at PHENIX SALON SUITES Businesses, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Protected Territory; and
- (6) the right to the sole and exclusive use of the Internet in connection with the marketing and promotion of PHENIX SALON SUITES Businesses, and FRANCHISEE's use of the Internet in connection with the operation of the Business will be limited and restricted to the uses authorized in the Manual.

## SECTION VII

### INITIAL TERM; RENEWAL TERM

#### A. Initial Term

The Franchise herein granted shall be for a term commencing on the date of this Agreement (the "*Effective Date*") and ending ten (10) years thereafter or upon the expiration of the first ten (10) years of the term of the Lease for the Business (the "*Lease*"), whichever shall later occur later (the "*Initial Term*"); provided, however, if the initial term of the lease expires more than eleven (11) years after the date of this Agreement, any term after the initial 11-year period shall be treated as, and subject to, the renewal provision of this Agreement.

#### B. Renewal Term

If FRANCHISEE is not in default under this Agreement, and if FRANCHISEE has the right to continue to occupy the location leased under the Lease, FRANCHISEE may renew this Agreement for one (1) successive renewal term of ten (10) years (the "*Renewal Term*"), subject to compliance with the conditions in this Section. Franchisee shall exercise the option to seek renewal by giving FRANCHISOR written notice of FRANCHISEE's request to renew not less than six (6) months nor more than twelve (12) months prior to the expiration of the Initial Term, such



renewal right shall expire automatically. No later than thirty (30) days prior to the expiration of the Initial Term, FRANCHISEE must comply, or have complied, with the following conditions: (i) execution of FRANCHISOR's then-current form of franchise agreement, the terms of which may materially differ from this Agreement, and any renewal addendum, (ii) FRANCHISEE's and each owners' and their respective spouses' execution of a general release, in a form satisfactory to FRANCHISOR, of all claims against FRANCHISOR and its affiliates and their officers, directors, attorneys, agents, shareholders and employees, (iii) during the Initial Term, FRANCHISEE has fully complied with all material terms of this Agreement and the landlord under the Lease and FRANCHISEE is not currently in default of any said agreement, (iv) FRANCHISEE demonstrates a right to operate the Business at the location under the Lease for the duration of the Renewal Term, (v) Franchisee shall pay FRANCHISOR a renewal fee equal to Ten Thousand Dollars (\$10,000) for the Renewal Term, (vi) FRANCHISEE meets FRANCHISOR's then-current qualifications for a new franchisee and fulfills any training requirements, (vii) Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates, and (viii) at FRANCHISEE's sole expense, FRANCHISEE refurbishes the Business to conform to FRANCHISOR's then-current standards and specifications for new Businesses as outlined in the Confidential Operations Manual within the timeframes prescribed by FRANCHISOR.

## **SECTION VIII**

### **FRANCHISEE'S INITIAL INVESTMENT**

FRANCHISEE's initial investment will vary depending upon the size of the Business, its geographical location, the leasehold improvements required and other factors. FRANCHISEE hereby certifies that he, she or it has reviewed the start-up costs detailed in the FDD and that he, she or it has sufficient cash resources available to meet said expenses.

## SECTION IX

### TIME LIMITS FOR OPENING BUSINESS

FRANCHISEE shall (i) sign a Lease, approved by FRANCHISOR, within six (6) months of the date of this Agreement (the "*Lease Execution Deadline*"), and (ii) complete the construction of the Business in accordance with the provisions and requirements of Section XIII.R. hereof ("*Construction*") and open the Business within twelve (12) months from the date of this Agreement (the "*Opening Deadline*"). For purposes of this Agreement, the "*Opening Date*" shall be the date that FRANCHISEE a certificate of occupancy or equivalent is issued for the Approved Location. Notwithstanding anything contained herein, provided that FRANCHISEE uses best efforts to comply with the Lease Execution Deadline, makes full and complete application for all building permits, licenses, and all other permits required to operate a PHENIX SALON SUITES Business at the leased premises within sixty (60) days of the execution of the Lease and uses best efforts to comply with the Opening Deadline, and FRANCHISEE has been unable to comply therewith, FRANCHISOR may, at FRANCHISEE's written request at least ten (10) days prior to the expiration of the applicable time period, grant up to a total of two (2) ninety (90) day extensions of the Lease Execution Deadline or Opening Deadline, if the delay was due to causes beyond the reasonable control of FRANCHISEE. FRANCHISEE must submit documentation of the status of the Lease, application(s) and Construction with a request for an extension. Subject to any extensions granted by FRANCHISOR, if FRANCHISEE fails to open the Business by the Opening Deadline, FRANCHISOR shall have the right to terminate this Agreement pursuant to the provisions of Section XXIV.A. hereof. During the term of this Agreement, the Approved Location shall be used exclusively for the purpose of operating a franchised PHENIX SALON SUITES Business. In the event the building shall be damaged or destroyed by fire or other casualty, or be required to be repaired or reconstructed by any governmental authority, and the required repair or reconstruction of the building cannot be completed within ninety (90) days from the date of such casualty or notice of such governmental requirement (or such lesser period as shall be designated by such governmental requirement), FRANCHISEE shall have the right to relocate the Business, subject to the terms and provisions of this Agreement.

## SECTION X

### FEEES

#### A. Initial Franchise Fee

FRANCHISEE shall pay an initial franchise fee in the amount of \$52,500.00 (the "*Initial Franchise Fee*") to FRANCHISOR in a lump sum, in U.S. funds, upon execution of this Agreement. The Initial Franchise Fee shall be deemed fully earned and nonrefundable, upon receipt, in consideration of administrative and other expenses incurred by FRANCHISOR in granting this Franchise and for FRANCHISOR's lost or deferred opportunity to franchise others.

#### B. Site Evaluation Fee

FRANCHISEE shall pay FRANCHISOR a site evaluation fee in the amount of \$3,000.00 for each market tour attended by FRANCHISOR which is payable, in advance, upon FRANCHISEE's receipt of an invoice. This fee will also be payable upon any relocation of the Business.

#### C. Architectural Plan Review Fee

If FRANCHISEE does not elect to have the space plan for the Approved Location prepared by an architect qualified by FRANCHISOR, FRANCHISEE shall pay a \$3,500 fee to FRANCHISOR's architect for the review of the space plan upon FRANCHISEE's receipt of an invoice after said space plan has been approved. This fee will also be payable upon any relocation of the Business.

D. Construction Management Fee

FRANCHISEE shall pay FRANCHISOR a construction management fee in the amount of \$6,500.00 of which 50% is payable upon the execution of the Lease and 50% is payable six months thereafter. This fee will also be payable upon any relocation of the Business.

E. Royalty

Commencing three months after the issuance of a Certificate of Occupancy for the Approved Location, FRANCHISEE shall pay FRANCHISOR a continuing monthly royalty fee (the "*Royalty*") equal to Thirty-Three Cents (\$0.33) per square foot, based upon the number of square feet leased by FRANCHISEE at the Approved Location, as per the Lease. FRANCHISOR has the right to increase the Royalty, effective as of January 1<sup>st</sup> of each year, by up to three (3%) percent per year, as determined by FRANCHISOR in its sole and absolute discretion. The Royalty is payable in advance and must be actually received by FRANCHISOR on or before the first day of each month. Any payment not actually received by FRANCHISOR on or before the first day of each month shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to FRANCHISOR under this Agreement, FRANCHISEE shall pay FRANCHISOR, in addition to the overdue amount, interest on such amount from the date it was due until paid at the lesser of the rate of ten (10%) percent per annum and the maximum rate allowed by the laws of the State in which the Business is located or any successor or substitute law (hereinafter the "*Default Rate*"), until paid in full.

F. National Brand Fee

Commencing three months after the issuance of a Certificate of Occupancy for the Approved Location, FRANCHISEE shall pay FRANCHISOR a continuing monthly national brand fee (the "*National Brand Fee*") equal to Six Cents (\$0.06) per square foot, based upon the number of square feet leased by FRANCHISEE at the Approved Location, as per the Lease. FRANCHISOR has the right to increase the National Brand Fee, effective as of January 1<sup>st</sup> of each year, by up to three (3%) percent each year, as determined by FRANCHISOR in its sole and absolute discretion. The National Brand Fee is payable in advance and must be actually received by FRANCHISOR on or before the first day of each month. Any payment not actually received by FRANCHISOR on or before the first day of each month shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to FRANCHISOR under this Agreement, FRANCHISEE shall pay FRANCHISOR, in addition to the overdue amount, interest on such amount from the date it was due until paid at the lesser of the Default Rate, until paid in full.

G. Gina's Platform

FRANCHISEE must use the Gina's Platform app, which is designed to assist you with your daily business management, payment collection of suite rentals, point of sale system, salon professional lead management, maintenance ticketing, and other system resources, as may be modified, added or removed by FRANCHISOR from time to time. FRANCHISEE must pay the

then-current initial setup fee and then-current ongoing monthly fee for the Gina's Platform app as designated by FRANCHISOR. These fees may increase from time to time.

H. Phenix TV

The Phenix TV Software Fee is provided through a third party (currently, The Media Display, LLC) for digital content displayed on a HD TV monitor (purchased separately) that will be located in the Business' lobby. Phenix TV is designed to provide a directory of the salon professionals at the Business. FRANCHISOR reserves the right to offer a similar directory package through Gina's Platform for a monthly fee which will not exceed \$35 per month with no upfront costs.

I. Other Fees

During the term of this Agreement, FRANCHISEE shall pay FRANCHISOR all other fees disclosed in the FDD or reasonably imposed by FRANCHISOR.

J. ACH Authorization

Before the Business opens, FRANCHISEE must sign and deliver to FRANCHISOR the documents FRANCHISOR requires to authorize FRANCHISOR to debit FRANCHISEE's operating account automatically for the Royalty payments, initial marketing expenses, and other amounts due under this Agreement and for FRANCHISEE's purchases from FRANCHISOR and its affiliates (the "*Electronic Depository Transfer Account*" or "*EDTA*") (Exhibit C). FRANCHISOR will debit the EDTA for these amounts on their due dates. Funds must be available in the EDTA for withdrawal. FRANCHISOR may, at its option, require payment other than by automatic debit, and FRANCHISEE must comply with FRANCHISOR's payment instructions.

## SECTION XI

### ADVERTISING

A. Local Advertising Plan

FRANCHISEE must create a local advertising and marketing plan by which FRANCHISEE shall place local advertising in any media it desires, provided that such advertising conforms to the standards and requirements of FRANCHISOR as set forth in the Manual or otherwise designated by FRANCHISOR. FRANCHISEE shall not advertise the Business in connection with any other business, except with FRANCHISOR's prior written approval. FRANCHISEE shall obtain FRANCHISOR's prior approval of all unapproved advertising and promotional plans and materials that FRANCHISEE desires to use at least thirty (30) days before the start of any such plans. FRANCHISEE shall submit such unapproved plans and materials to FRANCHISOR by personal delivery or through the mail, return receipt requested. FRANCHISEE shall not use such plans or materials until they have been approved by FRANCHISOR and shall promptly discontinue use of any advertising or promotional plans and material upon the request of FRANCHISOR. Any plans or materials submitted by FRANCHISEE to FRANCHISOR which have not been approved or disapproved in writing, within thirty (30) days of receipt thereof, by FRANCHISOR, shall be deemed approved.

B. Local Advertising Expenditures

FRANCHISEE must spend at least \$10,000 on initial marketing expenses during the first three months of operation. Thereafter, FRANCHISEE must spend at least \$1,000.00 per month or 1% of the Business's Gross Sales, whichever shall be greater, to advertise and promote the Business (including the costs of yellow pages advertising) until such time as at least 90% of the suites are occupied. FRANCHISOR shall have the right to approve or disapprove any advertising proposed for use by FRANCHISEE. In the event FRANCHISOR establishes a Local Advertising Cooperative within FRANCHISEE's Designated Market Area (DMA), as defined by Arbitron Corporation or such other entity as shall be designated by FRANCHISOR, from time to time, FRANCHISEE shall contribute one percent (1%) of the Gross Sales for local advertising and promotion to such Cooperative, to be actually received within five (5) days from the end of each month. If FRANCHISEE requests a meet and greet event, subject to FRANCHISOR's availability and grant of said request, FRANCHISOR's representatives may participate in said event in exchange for FRANCHISOR's then-current fee, which is currently \$2,500. Furthermore, in addition to the above, FRANCHISEE shall list its Business in at least one (1) recommended website directory designated by FRANCHISOR.

## **SECTION XII**

### **FINANCING ARRANGEMENTS**

FRANCHISEE acknowledges that financing is the sole responsibility of FRANCHISEE. FRANCHISOR shall not finance or guarantee any of the obligations of FRANCHISEE.

## **SECTION XIII**

### **GENERAL OBLIGATIONS OF FRANCHISEE**

#### **A. Follow Operations Manual and Directives of FRANCHISOR**

FRANCHISEE agrees that use of the System and strict adherence to FRANCHISOR's Operations Manual, and to FRANCHISOR's standardized design and specifications for decor of the Business and uniformity of equipment, layouts, signs, and other incidents of the Business, are essential to the image and goodwill thereof. FRANCHISEE shall cooperate and assist FRANCHISOR with any customer or marketing research program that FRANCHISOR may institute from time to time. FRANCHISEE's cooperation and assistance shall include, but not be limited to, the distribution, display and collection of customer comment cards, questionnaires, and similar items. In order to further protect the System and the goodwill associated therewith, FRANCHISEE shall:

1. Operate the Business in accordance with the Manual and use the Manual solely in the manner prescribed by FRANCHISOR;
2. Comply with such requirements respecting any service mark, trade name, trademarks or copyright protection and fictitious name registrations as FRANCHISOR may, from time to time, direct;
3. Follow the methods of preparation, service, and presentation so as to conform to the specifications and standards of FRANCHISOR in effect from time to time;

4. Use only such furniture, fixtures, equipment, signs, computer, software and furnishings, and offer only such products, as conform to FRANCHISOR's specifications in effect from time to time

5. Pay any and all fees associated with the designated equipment, computer and software systems, including, without limitation, digital content in connection with the directory program displayed in the lobby at the Business or otherwise;

6. Sell the services and products specified or approved by FRANCHISOR and not sell or offer for sale any other services or products of any kind or character without first obtaining the express approval of FRANCHISOR, which shall be at the sole and absolute discretion of FRANCHISOR;

7. Discontinue selling or offering for sale or using any products or services that FRANCHISOR may, in its absolute discretion, disapprove or delete from its standards and specifications for any reason whatsoever or for no reason whatsoever;

8. Require clean uniforms conforming to such specifications as to color, design, etc. as FRANCHISOR may designate, from time to time, to be worn by all of FRANCHISEE's employees at all times while in attendance at the Business, and cause all employees to present a clean, neat appearance and render competent and courteous service to customers, as may be further detailed in the Manual;

9. Permit FRANCHISOR or its agents, at any reasonable time, to remove from the Business samples of item without payment therefor, in amounts reasonably necessary for testing by FRANCHISOR or an independent laboratory to determine whether said samples meet FRANCHISOR's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, FRANCHISEE shall bear the cost of such testing if the supplier of the item has not previously been approved by FRANCHISOR, or if the sample fails to conform to FRANCHISOR's specifications;

10. Not install or permit to be installed on or about the Business premises, without FRANCHISOR's prior written consent, any fixtures, furnishings, signs, equipment, or other improvements not previously approved as meeting FRANCHISOR's standards and specifications;

11. Use best efforts to employ a sufficient number of employees as necessary to operate the Business at its maximum capacity as prescribed or approved by FRANCHISOR and to comply with all applicable Laws with respect to such employees;

12. Not engage in any trade practice or other activity which FRANCHISOR determines to be harmful to the goodwill or to reflect unfavorably on the reputation of FRANCHISEE or FRANCHISOR, the Business, or the products and services sold thereat; or which constitutes deceptive or unfair competition, or otherwise is in violation of any applicable laws.

Except as otherwise provided herein, nothing contained in this Section XIII.A. shall require FRANCHISEE or suite licensees to purchase PHENIX SALON SUITES products or restrict suite licensees from offering or selling any products.

**B. Operate Business Only**

1. FRANCHISEE shall use the System and the Names and Marks solely for the operation of the Business and shall not use them in connection with any other business or any other activity. Neither FRANCHISEE, nor any of its employees, may conduct any business at the Approved Location other than that authorized pursuant to this Agreement, without the prior written approval of FRANCHISOR.

2. If FRANCHISEE is a corporate entity or other organization or entity, FRANCHISEE shall designate an individual to serve as FRANCHISEE's managing owner (the "*Managing Owner*"), which FRANCHISOR must approve. This Managing Owner shall own a majority equity interest (or the next highest percentage interest) in FRANCHISEE during the entire period he or she serves as Managing Owner. The Managing Owner will be the person with whom FRANCHISOR will communicate and will have the authority to bind FRANCHISEE. The Managing Owner must attend and successfully complete all training required by this Agreement, or reasonably required by FRANCHISOR, and must devote his or her full-time and best efforts to the supervision and conduct of the Business.

C. Comply With Laws

FRANCHISEE shall comply with all federal, state and local laws and regulations, and shall obtain and at all times maintain any and all permits, certificates, or licenses necessary for full and proper operation of the Business.

D. Maintain Confidentiality of Proprietary Information

Neither FRANCHISEE nor any of its partners, officers, directors, agents, or employees shall, except as required in the performance of the duties contemplated by this Agreement or as required by law, disclose or use at any time, whether during the terms of this Agreement or thereafter, any information disclosed to or known by FRANCHISEE or any such person as a result of this Agreement. Such information includes, but shall not be limited to, information conceived, originated, discovered, or developed by FRANCHISEE or by any employee of FRANCHISEE which is not generally known in the trade or industry about FRANCHISOR's products, services, or licenses, including information relating to discoveries, ideas, manufacturing, purchasing, accounting, engineering, marketing, merchandising or selling.

E. Maintain and Renovate Business

FRANCHISEE shall at all times maintain the Business in a clean, orderly condition and in first class repair and condition in accordance with all maintenance and operating standards set forth in the Manual. FRANCHISEE shall make, at FRANCHISEE's expense, all additions, repairs, replacements improvements and alterations that may be determined by FRANCHISOR to be necessary so that the facilities which are viewed by the public will conform to the System's image, as may be prescribed by FRANCHISOR from time to time. FRANCHISEE shall undertake and complete such additions, repairs, replacements, improvements and alterations within the time and under the terms and conditions that may be reasonably specified by FRANCHISOR. At FRANCHISOR's request, which shall not be more often than once every five (5) years, FRANCHISEE shall refurbish the Business at its expense, to conform to the building design, trade dress, color schemes, and presentation of trademarks and service marks consistent with FRANCHISOR's designated image, including, without limitation, remodeling, redecoration, and modifications to existing improvements.

F. Maintain Competent Staff

FRANCHISOR will create and make available to FRANCHISEE training programs and other selected training materials, as FRANCHISOR deems appropriate. FRANCHISEE shall maintain a fully trained competent staff capable of rendering courteous quality service in a manner in keeping with the standards set by FRANCHISOR.

G. Franchise Addendum to Lease

The Lease must include a Franchise Addendum to Lease substantially in the form attached hereto as Exhibit D and FRANCHISEE must fully comply with all of its obligations under the Lease in order to avoid any default thereunder. FRANCHISEE may not sign the Lease without FRANCHISOR's prior written approval and must provide FRANCHISOR with a fully executed copy of the Lease promptly upon its execution.

H. Operate Business in Strict Conformity to Requirements

FRANCHISEE shall operate the Business in strict conformity with such standards, techniques, and procedures as FRANCHISOR may from time to time prescribe in the Manual, or otherwise in writing, and shall not deviate therefrom without FRANCHISOR's prior written consent.

I. Sell Approved Products; Use Approved Furniture, Fixtures, Furnishings, Signs and Equipment

1. If FRANCHISEE operates a Phenix Salon Store, FRANCHISEE shall maintain an adequate inventory of FRANCHISOR's proprietary or private label products, as determined by FRANCHISOR, in its sole discretion, and shall offer and offer and sell only such products as are, from time to time, specified in writing, designated and/or approved for sale by FRANCHISOR. FRANCHISEE may not offer or sell any other products.

2. To ensure the consistent high quality and uniformity of services provided by a PHENIX SALON SUITES Business, FRANCHISEE shall purchase all furniture, fixtures, furnishings, signs and equipment, and products used in the operation of the PHENIX SALON SUITES Business as FRANCHISOR may specify from time to time, solely from suppliers who demonstrate to FRANCHISOR's continuing satisfaction an ability to meet FRANCHISOR's standards and specifications. In approving any supplier, FRANCHISOR may consider factors such as the supplier's financial strength, quality control, and capacity to supply FRANCHISEE's needs promptly and reliably. All suppliers must be approved in writing by FRANCHISOR and not thereafter disapproved. If FRANCHISEE desires to purchase the items from an unapproved supplier, FRANCHISEE shall submit to FRANCHISOR a written request for such approval. FRANCHISOR shall have the right to require, as a condition of its approval and review, that its representatives are permitted to inspect the facilities of the proposed supplier and that the proposed item is delivered to FRANCHISOR or its designee for testing. The cost of such inspection and testing shall be paid by FRANCHISEE or the supplier, and FRANCHISOR shall not be liable for damage to or for the return of any sample. FRANCHISOR reserves the right to re-inspect the facilities and to retest the product of any approved supplier and to revoke any approval if the supplier fails to continue to meet FRANCHISOR's high standards.

J. Use Approved Signs

FRANCHISEE shall, subject to local building codes and regulations, purchase or lease signs approved by FRANCHISOR that provide maximum displays of the Names and Marks.



Upon renewal of this Agreement, FRANCHISEE shall be responsible for obtaining and equipping the Business with the signage that is approved for use by FRANCHISOR at the time of the renewal of this Agreement. The color, size, design and location of said signs shall be as specified and/or approved by FRANCHISOR. FRANCHISEE shall not place additional signs, posters or other décor items in, on or about the Approved Location without the prior written consent of FRANCHISOR.

K. Maintain Regular Business Hours

FRANCHISEE shall keep the Business open and in normal operation in accordance with the requirements of the Manual.

L. Maintain Uniform Operating Standards

FRANCHISEE understands and acknowledges that every detail of the design and operation of the Business is important to FRANCHISEE, FRANCHISOR and other PHENIX SALON SUITES franchisees in order to develop and maintain uniform operating standards, to increase the demand for the products and services sold by Businesses under the System, and to protect FRANCHISOR's reputation and goodwill.

M. No Vending Machines Without FRANCHISOR Approval

Jukeboxes, games of chance, video games, newspaper racks, children's rides, telephone booths, and cigarette, gum, candy, or other vending machines may be installed in or at the Business with the express written consent of FRANCHISOR and only then in such manner as prescribed by FRANCHISOR for all of its franchisees.

N. Telephone Numbers of Business

FRANCHISEE understands and agrees that the telephone number(s) for the Business constitute a part of the System and are subject to the restrictions of this Agreement. Accordingly, FRANCHISEE shall not change the telephone number(s) for the Business without prior notice and written approval by FRANCHISOR. FRANCHISEE shall advertise and publicize the telephone number(s) for the Business in the manner prescribed by FRANCHISOR.

O. Disclose Discoveries and Ideas to FRANCHISOR

FRANCHISEE shall promptly disclose to FRANCHISOR all discoveries, inventions or ideas, whether patent able or not, relating to FRANCHISOR's Business, which are conceived or made by FRANCHISEE or any partner, officer, director, agent, or employee of FRANCHISEE solely or jointly with others, during the term of this Agreement, whether or not FRANCHISOR's facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. FRANCHISEE hereby acknowledges and agrees that all such discoveries, inventions or ideas are the exclusive property of FRANCHISOR, and that FRANCHISOR shall have no obligation to FRANCHISEE with respect thereto. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by franchisees within the System will be distributed to the other franchisees as a benefit of belonging to the System.

P. Permit FRANCHISOR to Enter Business

FRANCHISEE shall permit FRANCHISOR and its agents or representatives to enter the Business at any reasonable time for the purpose of conducting inspections, shall cooperate fully with FRANCHISOR's representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from FRANCHISOR or its agents, and without limiting FRANCHISOR's other rights under this Agreement, shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event FRANCHISEE fails or refuses to correct immediately any deficiency detected during such inspection, FRANCHISOR shall have the right to make or cause to be made such changes as may be required, at the expense of FRANCHISEE, which expense FRANCHISEE agrees to pay upon demand. The foregoing shall be in addition to any other remedies FRANCHISOR may have pursuant to this Agreement.

Q. Additional Requirements for Corporate FRANCHISEE

If FRANCHISEE is or becomes a corporation, limited liability company, limited or general partnership or other organization or entity, the following requirements shall apply:

1. FRANCHISEE shall confine its activities to the establishment and operation of the Business.
2. FRANCHISEE's Certificate of Formation or Articles of Incorporation and Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to operation of the Business and that the issuance, redemption, purchase for cancellation and transfer of voting stock, or other ownership interest therein, is restricted by the terms of this Agreement. FRANCHISEE shall furnish FRANCHISOR promptly upon request copies of FRANCHISEE's Articles of Incorporation, Bylaws, and other governing documents, and any other documents FRANCHISOR may reasonably request, and any amendments thereto, from time to time.
3. FRANCHISEE shall maintain a current list of all owners of record and beneficial owners of any class of voting stock of FRANCHISEE and shall furnish such list to FRANCHISOR upon request.
4. FRANCHISEE shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) except in accordance with the provisions of Article XV. All securities issued by FRANCHISEE shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT WITH PHENIX SALON SUITES FRANCHISING, LLC, DATED \_\_\_\_\_. REFERENCE IS MADE TO SAID AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE ARTICLES AND BYLAWS OF THIS CORPORATION OR LLC.

5. All shareholders of FRANCHISEE shall personally bind themselves to the restrictive covenants contained in Sections XIII.D, XVII., XIX.B., XX. and XXVI. of this Agreement.

6. If FRANCHISEE is or becomes a partnership, FRANCHISEE shall furnish FRANCHISOR promptly, upon request, with a copy of its partnership agreement and

any other documents FRANCHISOR may reasonably request, and any amendments thereto, from time to time.

7. FRANCHISEE shall maintain a current list of all general and limited partners and all owners of record and all beneficial owners of any class of voting stock of FRANCHISEE and shall furnish the list to FRANCHISOR promptly upon request, from time to time.

8. Each individual who or entity which holds a twenty percent (20%) or greater ownership or beneficial ownership interest in FRANCHISEE, directly or indirectly, (including each individual holding a fifty (50%) or greater interest in any partnership or corporation which holds a twenty percent (20%) or greater interest in FRANCHISEE), and each individual owner's spouse, shall enter into a continuing personal guaranty agreement in the form attached hereto as Exhibit A and each individual who or entity which holds any ownership or beneficial ownership interest in FRANCHISEE, directly or indirectly shall enter into a personal assumption of obligations, under seal, in the form attached hereto as Exhibit B, as such forms may be amended or modified by FRANCHISOR, from time to time (if such guaranty agreement and personal assumption of obligations are to be executed subsequent to the date hereof in accordance with the terms of this Agreement); provided, however, that the requirements of this Section XIII.Q.(8) shall not apply to any corporation or limited liability company registered under the Securities Exchange Act of 1934.

#### R. Site Selection and Construction

FRANCHISEE assumes all costs, liability, expense, and responsibility for locating, obtaining, and developing a site for the Business and for constructing and equipping the Business at such site in accordance with FRANCHISOR's plans and specifications. FRANCHISEE shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to the Approved Location for the Business unless approved by FRANCHISOR in accordance with the procedure herein set forth and which provides, without limitation, for (a) thirty (30) days prior written notice to FRANCHISOR of any default under the Lease specifying such default and the right (but with no obligation) of FRANCHISOR to cure any such default within said period, (b) the landlord's agreement to the Franchise Addendum to Lease.

FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR's RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE AND/OR APPROVAL OF A PROSPECTIVE SITE OR A LEASE FOR A SITE DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY FRANCHISOR THAT A PHENIX SALON SUITES BUSINESS OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Before commencing Construction, FRANCHISEE, at its expense, shall comply, to FRANCHISOR satisfaction, with all of the following requirements:

1. FRANCHISEE shall submit an "as-built" of the space before drafting of the architectural plans, including a footprint of the proposed building and architectural and signage drawings and mechanical and engineering plans, to FRANCHISOR for its approval, in the manner designated by Franchisor in the Manual. FRANCHISEE, at its option, may use any architect or engineer currently used by FRANCHISOR to prepare such plans and specifications.

2. FRANCHISEE shall enter into a written agreement, approved by FRANCHISOR, with a qualified general contractor or construction supervisor to oversee Construction and completion of all improvements; and

3. FRANCHISEE shall obtain all licenses, permits and certifications required for lawful construction and operation of the Business including, without limitation, building, zoning, access, parking, driveway access, sign permits and licenses, and shall certify in writing to FRANCHISOR that all such permits, licenses and certifications have been obtained. FRANCHISEE shall obtain all health, life safety, and other permits and licenses required for operation of the Business and shall certify that all such permits and licenses have been obtained prior to the Opening Date.

4. FRANCHISEE shall cause the Construction to be completed in accordance with the site plan approved by FRANCHISOR and the plans and specifications provided or approved by FRANCHISOR, and no changes will be made to the approved plans and specifications, or the design, materials or interior and exterior colors required by such plans, without the express written consent of FRANCHISOR. FRANCHISEE's failure to cause the Construction to be completed in accordance with the site plan approved by FRANCHISOR and the plans and specifications provided or approved by FRANCHISOR will be deemed to be a material default under this Agreement.

#### S. Training

Prior to FRANCHISEE's opening of the Business to the public, FRANCHISEE (or, if FRANCHISEE is a Corporation or LLC or partnership, at least one principal of FRANCHISEE) shall complete, to FRANCHISOR's satisfaction, the Initial Training Program offered by FRANCHISOR. At FRANCHISOR's option, key personnel subsequently employed by FRANCHISEE shall also complete to FRANCHISOR satisfaction, the Initial Training Program and any additional training that FRANCHISOR may require from time to time. FRANCHISOR may, at any time, discontinue management training and decline to certify FRANCHISEE and/or FRANCHISEE's designated individual(s) who fail to demonstrate an understanding of the management training acceptable to FRANCHISOR. If FRANCHISEE or FRANCHISEE's designated individual's management training is discontinued by FRANCHISOR, FRANCHISEE shall have thirty (30) days to present an alternative acceptable candidate for management training to FRANCHISOR. If FRANCHISEE's new candidate does not adequately complete the management training, then FRANCHISOR has the option of terminating this Agreement. FRANCHISOR shall provide instructors and training materials for all required training programs; and FRANCHISEE or its employees shall be responsible for all other expenses incurred by FRANCHISEE or its employees in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

#### T. Annual Meeting of Franchisees

FRANCHISEE (or, if FRANCHISEE is a Corporation or LLC or partnership, at least one principal of FRANCHISEE) must attend each annual meeting of franchisees held by FRANCHISOR. FRANCHISEE must pay the registration fee and the travel and lodging expenses for each attendee.

#### U. Miscellaneous

FRANCHISEE shall give FRANCHISOR advance written notice of FRANCHISEE's intent to institute legal action against FRANCHISOR, specifying the basis for such proposed action, and shall grant FRANCHISOR thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based.

## SECTION XIV

### SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE

#### A. Overall Coverage Required

FRANCHISEE shall procure, prior to opening the Business, and shall maintain in full force and effect during the term of this Agreement at FRANCHISEE's expense, an insurance policy or policies protecting FRANCHISOR, and the officers, directors, partners, and employees of both FRANCHISOR and FRANCHISEE against any loss, liability, personal injury, death, property damage, or expense whatsoever arising or occurring upon or in connection with operating the Business. FRANCHISOR shall be named as an additional insured on all such policies. Prior to the opening of the Business and thereafter at least thirty (30) days prior to the expiration of any such policy or policies, FRANCHISEE shall deliver to FRANCHISOR certificates of insurance evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that not less than thirty (30) days prior written notice shall be given to FRANCHISOR in the event of material alteration to termination, non-renewal, or cancellation of, the coverage's evidenced by such certificates.

#### B. Insurance Carriers Must be Approved by FRANCHISOR

Such policy or policies shall be written by an insurance company rated A-minus or better, in Class 10 or higher, by Best Insurance Ratings Service and satisfactory to FRANCHISOR in accordance with standards and specifications set forth in the Manuals or otherwise in writing, from time to time, and shall include, at a minimum (except as additional coverage's and higher policy limits may be specified by FRANCHISOR from time to time), the following initial minimum coverage:

1. Commercial General Liability Insurance, including coverage for contractual liability, personal and advertising injury, fire damage, medical expenses, having a combined single limit for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate (except for fire damage and medical expense coverage, which may have different limits of not less than \$1,000,000 for one fire and \$2,000,000 per year and \$5,000 for one person medical expense coverage) and including professional liability coverage of \$2,000,000 per occurrence and \$4,000,000 in the aggregate. All such coverage's shall be on an occurrence basis and shall provide for waivers of subrogation.

2. All-risk property insurance, including theft and flood coverage (when applicable), written at replacement cost value covering the building, improvements, furniture, fixtures, signs, equipment and inventory. Coverage shall be written in a value which will cover not less than eighty (80%) percent of the replacement cost of the building and one hundred (100%) percent of the replacement cost of the contents of the building.

3. Employers Liability and Worker's compensation Insurance, as required by state law.

4. Business interruption insurance coverage limits based on average monthly income for loss of income and other expenses with a limit of not less than six (6) months of coverage.

FRANCHISEE's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by FRANCHISOR, nor shall FRANCHISEE's performance of that obligation relieve it of liability under the indemnity provisions set forth in XIX of this Agreement.

C. No Limitations on Coverage

FRANCHISEE's obligations to obtain and maintain the foregoing insurance policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by FRANCHISOR, nor shall FRANCHISEE's performance of that obligation relieve it of liability under the indemnity provisions set forth in this Agreement. FRANCHISEE may maintain such additional insurance, as it may consider advisable.

D. FRANCHISEE Must Provide Evidence of Coverage to FRANCHISOR

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, FRANCHISEE shall promptly submit evidence of satisfactory insurance and proof of payment to FRANCHISOR, together with, upon request, copies of all policies and policy amendments and endorsements. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be cancelled or materially altered without giving at least thirty (30) days prior written notice to FRANCHISOR.

E. FRANCHISOR May Procure Insurance Coverage

Should FRANCHISEE, for any reason, fail to procure or maintain the insurance required by this Agreement, as described from time to time by the Manual or otherwise in writing, FRANCHISOR shall have the right and authority (but no obligation) to procure such insurance and to charge same to FRANCHISEE, which charges, together with a reasonable fee for FRANCHISOR's expenses in so acting, shall be payable by FRANCHISEE immediately upon notice from FRANCHISOR.

## **SECTION XV**

### **SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS**

A. Bookkeeping, Accounting and Records

FRANCHISEE shall maintain during the term of this Agreement, and shall preserve, for a minimum of three (3) years, full, complete accurate records of sales, closeout sheets, payroll, and accounts payable in accordance with the standard accounting system described by FRANCHISOR in the Manual or otherwise specified in writing.

B. Reporting of Gross Sales; Monthly Financial Statements

FRANCHISEE shall submit to FRANCHISOR, after the opening of the Business (a) a monthly sales report, generated by the accounting software required by FRANCHISOR, or such other form as may be prescribed by FRANCHISOR from time to time, accurately reflecting all Gross Sales during the preceding month, and (b) such other data or information as FRANCHISOR may require, from time to time, which must be actually received by FRANCHISOR within five (5) business days from end of each month. At FRANCHISOR's discretion, FRANCHISEE may also be required to submit (a) profit and loss statements, balance sheets and trial balances prepared in accordance with generally accepted accounting principles, consistently applied, for each such accounting period, to be received by FRANCHISOR within fifteen (15) days after the date of expiration of each period covered by the report, (b) copies of all tax returns relating to sales by the Business to be received by FRANCHISOR within ten (10) days of the end of the state sales tax reporting period, and (c) such other data or information as FRANCHISOR may require, from time to time. For purposes of this Agreement, "Gross Sales" means all revenue derived from the operation of the Business, excluding taxes collected and paid to a taxing authority.

C. Submission of Annual Financial Statements

FRANCHISEE shall, at its expense, submit to FRANCHISOR, within ninety (90) days of the end of each calendar year during the term of this Agreement, on forms prescribed by FRANCHISOR, a complete financial statement, which may be unaudited, for the preceding year, including without limitation both an income statement and balance sheet, together with such other information in such form as FRANCHISOR may require. No later than thirty (30) days after the Opening Date, FRANCHISEE shall submit to Franchisor a detailed summary of the cost to construct and develop the Business. FRANCHISEE shall also submit to FRANCHISOR such other forms, records, reports, information and data as FRANCHISOR may reasonably require, in the form, and at the times and the places reasonably required by FRANCHISOR, upon request, and as specified from time to time in the Manual or otherwise in writing.

D. Computer and Software

FRANCHISEE shall follow and adhere to the daily accounting and reporting procedures required by FRANCHISOR, from time to time, and shall purchase and use in connection with the operation of the Business the computer system required by FRANCHISOR, from time to time, to facilitate the operation and internal accounting control of the Business.

## SECTION XVI

### **SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USES OF NAMES AND MARKS**

A. Names and Marks are Owned by FRANCHISOR or its affiliate

FRANCHISOR warrants with respect to the proprietary Names and Marks that:

1. Pursuant to a license agreement between FRANCHISOR and PHENIX SALON, LLC, a Colorado limited liability company, FRANCHISOR has been granted the exclusive right to use the Names and Marks to establish PHENIX SALON SUITES Businesses in the United States and Canada;

2. FRANCHISOR is taking and will take such steps as are reasonably necessary to preserve and protect the ownership and validity of such Names and Marks; and

3. FRANCHISOR will use and permit FRANCHISEE and other franchisees to use the Names and Marks with the System and standards attendant thereto, which underlie the goodwill associated with and symbolized by the Names and Marks.

B. FRANCHISEE is Licensed to Use Names and Marks

With respect to FRANCHISEE's franchised use of the Names and Marks pursuant to this Agreement, FRANCHISEE agrees that:

1. FRANCHISEE shall use only the Names and Marks as are approved in writing by FRANCHISOR for FRANCHISEE's use, and shall use them only in the manner authorized and permitted by FRANCHISOR and that in any use whatsoever of the Names and Marks of FRANCHISOR that the Names and Marks are identified as being registered to or owned by FRANCHISOR;

2. FRANCHISEE shall use the Names and Marks only in connection with the operation of the Business and in advertising for the Business conducted at or from the Approved Location;

3. FRANCHISEE shall use and display, as FRANCHISOR may require in the operation of the Business, a notice in the form approved by FRANCHISOR indicating that FRANCHISEE is a "Franchised Operator" under the System and that the Names and Marks are used by FRANCHISEE under such Franchise;

4. Unless otherwise authorized or required by FRANCHISOR, FRANCHISEE shall operate and advertise the Business under the "PHENIX SALON SUITES" mark;

5. FRANCHISEE's right to use the Names and Marks is limited to such usages as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of FRANCHISOR's rights;

6. FRANCHISEE shall not use the Names and Marks to incur any obligations or indebtedness on behalf of FRANCHISOR;

7. FRANCHISEE shall not use the Names and Marks or any part thereof as part of its corporate or other legal name;

8. FRANCHISEE shall comply with FRANCHISOR's instructions in filing and maintaining the requisite trade name or fictitious name registration, and shall execute any documents deemed necessary by FRANCHISOR or its counsel to obtain protection for the Names and Marks or to maintain their continued validity and enforceability;

9. In the event any litigation involving the Names and Marks is instituted or threatened against FRANCHISEE, FRANCHISEE shall promptly notify FRANCHISOR and shall cooperate fully with FRANCHISOR in defending such litigation; and



10. During the term of this Agreement and any renewal hereof, FRANCHISEE shall identify itself as the owner of the Business in such manner as FRANCHISOR may designate in writing.

C. FRANCHISEE Will Not Challenge FRANCHISOR's Rights In Its Names and Marks

FRANCHISEE expressly acknowledges and agrees that:

1. As between the parties hereto, FRANCHISOR and its affiliate are the owners of all right, title, and interest in and to the Names and Marks and the goodwill associated with and symbolized by the Names and Marks;

2. The Names and Marks are valid and serve to identify the System and those who are franchised under the System;

3. FRANCHISEE shall not directly or indirectly contest the validity or the ownership of the Names and Marks;

4. FRANCHISEE's use of the Names and Marks pursuant to this Agreement does not give FRANCHISEE any ownership interest or other interest in or to the Names and Marks, except the non-exclusive Franchise granted herein;

5. Any goodwill arising from FRANCHISEE's use of the Names and Marks in its Business under the System shall inure solely and exclusively to FRANCHISOR's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with FRANCHISEE's use of the System or the Names and Marks;

6. FRANCHISOR reserves the right to substitute different Names and Marks for use in identifying the System, the Business and other Businesses operating thereunder;

7. FRANCHISEE shall not register or attempt to register the Names and Marks in FRANCHISEE's name or that of any other firm, person or corporation;

8. The right and license of the Names and Marks granted hereunder to FRANCHISEE is nonexclusive, and FRANCHISOR thus has and retains the rights, among others:

a. To use the Names and itself in connection with selling products and services;

b. To grant other licenses for the Names and Marks, in addition to those licenses already granted to existing franchisees; and

c. To develop and establish other systems using similar Names and Marks, or any other proprietary marks, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to FRANCHISEE; and

9. FRANCHISEE acknowledges and agrees that FRANCHISOR has the unrestricted right to engage, directly or indirectly, through its or their employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of products bearing the Names and Marks licensed hereunder or other names or marks, including without limitation, products included as part of the System. FRANCHISEE shall not under any circumstances engage in any wholesale trade or sale of such products.

## SECTION XVII

### SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO CONFIDENTIALITY OF PROPRIETARY INFORMATION

#### A. FRANCHISEE Will Learn Proprietary Matters

FRANCHISEE acknowledges that he, she or it will obtain knowledge of proprietary matters, techniques and business procedures of FRANCHISOR that are necessary and essential to the operation of the Business, without which information FRANCHISEE could not effectively and efficiently operate such business, including, without limitation, knowledge regarding the System, the layout of the Business and the Manual. FRANCHISEE further acknowledges that such proprietary information was not known to FRANCHISEE prior to execution of this Agreement and that the methods of FRANCHISOR are unique and novel to the System. As used herein, "Proprietary Information" shall mean confidential information concerning:

1. Persons, corporations or other entities that are, have been or become franchisees of the System and any investors therein;
2. Persons, corporations or other entities that are, have been or become customers of the Business;
3. The terms of and negotiations relating to past or current franchise agreements with respect to the System;
4. The operating procedures of the System, including without limitation: distinctive management, bookkeeping and accounting systems and procedures, advertising, promotional and marketing methods, personnel hiring and training procedures, the manufacturers, suppliers and uses of equipment, and lists of vendors and suppliers;
5. The economic and financial characteristics of the System and franchisees, including without limitation: pricing policies and schedules, profitability, earnings and losses, and capital and debt structures;
6. The services and products offered to customers of Businesses, including, without limitation, the scope of services provided and services refused; and
7. All documentation of the information listed in Sections XVII.A.1. through XVII.A.7. hereof, including, without limitation, the Manual. During the term of this Agreement and for a period of five (5) years following the expiration or termination of this Agreement, FRANCHISEE agrees not to divulge, directly or indirectly, any Proprietary

Information, without the prior written consent of FRANCHISOR. Nothing contained herein shall be construed so as to require FRANCHISOR to divulge any secret processes, formulas, or the like.

**B. FRANCHISEE May Not Disclose Proprietary Information**

FRANCHISEE may disclose Proprietary Information only to such of its employees, agents and representatives as must have access to it in order to operate the Business or in response to a judicial order. FRANCHISEE shall obtain from each such employee, representative or agent, an agreement that such person shall not during the course of his employment, representation, or agency with FRANCHISEE, or for a period of five (5) years thereafter, use, divulge, disclose or communicate, directly or indirectly, in any form or manner, to any person, firm or corporation, any of the Proprietary Information of FRANCHISOR.

**C. Injunctive Relief is Available to FRANCHISOR**

FRANCHISEE acknowledges that any failure to comply with the requirements of this Section XVII will cause FRANCHISOR irreparable injury, and FRANCHISOR shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements. FRANCHISEE waives any requirements for the posting of any bond(s) relating thereto.

**D. FRANCHISOR's Patent Rights and Copyrights**

FRANCHISOR does not own rights in or to any patents that are material to the Business. However, FRANCHISOR intends to obtain copyright protection for the Manual and certain marketing, sales, and operations literature. Furthermore, FRANCHISOR claims rights to certain trade secrets and confidential information as discussed above.

## **SECTION XVIII**

### **SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS**

**A. FRANCHISEE Must Notify FRANCHISOR of Lawsuits**

FRANCHISEE shall notify FRANCHISOR, in writing, within five (5) days of notice of the commencement of any action, suit, or proceeding against FRANCHISEE, and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of the Business, including, without limitation, any criminal action or proceedings brought by FRANCHISEE against its employees, customers, or other persons.

**B. FRANCHISEE Must Comply With Laws**

FRANCHISEE shall, at FRANCHISEE's expense, comply with all federal, state and local laws, rules, regulations and ordinances. FRANCHISEE shall timely obtain and shall keep in force as required throughout the term of this Agreement all permits, certificates and licenses necessary for the full and proper conduct of the Business, including, without limitation, any required permits, licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

C. FRANCHISEE Must Pay Taxes Promptly

FRANCHISEE shall promptly pay when due all taxes levied or assessed against FRANCHISEE or the Business, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by FRANCHISEE in the conduct of the Business. FRANCHISEE shall pay FRANCHISOR an amount equal to any sales tax, gross receipts tax or similar tax imposed on FRANCHISOR with respect to any payments to FRANCHISOR required under this Agreement, unless tax is credited against income tax otherwise payable by FRANCHISOR.

D. FRANCHISEE May Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, FRANCHISEE may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall FRANCHISEE permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Business, or any improvements thereon.

## SECTION XIX

### SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INDEMNIFICATION

A. Nothing in this Agreement authorizes FRANCHISEE to make any contract, agreement, warranty or representation on FRANCHISOR's behalf, or to incur any debt or other obligation in FRANCHISOR's name. FRANCHISOR shall in no event assume liability for or be deemed liable as a result of any such action, or by reason of any act or omission of or by FRANCHISEE in its conduct of the Business or any claim or judgment arising therefrom against FRANCHISEE.

B. FRANCHISEE shall indemnify and hold FRANCHISOR and its officers, directors, shareholders, employees and representatives harmless from and against any and all claims, costs, expenses, debts, liabilities and damages arising directly or indirectly from, as a result of, or in connection with, FRANCHISEE's operation of the Business (unless such liability arises as a result of any action necessary to comply with FRANCHISEE's obligations hereunder or FRANCHISOR's written directives) or FRANCHISEE's breach of any of the covenants or restrictions contained in this Agreement.

## SECTION XX

### MISCELLANEOUS COVENANTS OF FRANCHISEE

A. Covenants are Independent

The parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Agreement is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which FRANCHISOR is a party, FRANCHISEE expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Agreement.

## B. Restrictive Covenants

1. FRANCHISEE specifically acknowledges that, pursuant to this Agreement, FRANCHISEE will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of FRANCHISOR and the System.

2. FRANCHISEE covenants that, except as otherwise provided herein or approved in writing by FRANCHISOR, FRANCHISEE shall not, during the term of this Agreement, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, operate, engage in or have any interest in any Competitive Business. For purposes of this Agreement, "Competitive Business" means any business that derives more than 5% of its revenue from operating a salon or leasing, licensing or renting professional salon space, or any business granting franchises or licenses to others to operate such a business.

3. FRANCHISEE covenants that, except as otherwise provided herein or approved in writing by FRANCHISOR, FRANCHISEE shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, operate, engage in, or have any interest, directly or indirectly, in any Competitive Business. In the event that FRANCHISEE violates, or is in violation of, any of the provisions of this Section XX.B.3, the period of proscription from doing the act or acts which constitute a violation or violations of this Agreement shall be extended for a period of two (2) years from the date that FRANCHISEE ceases, whether voluntarily or by a Court Order or an Arbitration Award, to engage in or do those acts constituting the violation or violations of the provisions of this Agreement.

4. In the event that any covenant or restriction contained in this Agreement is deemed by any court or arbitrator to be excessive, FRANCHISEE and FRANCHISOR agree that the court or arbitrator shall decrease or limit such covenant or restriction in such a manner as make such covenant or restriction reasonable and not excessive.

## C. Exception to Covenant Not to Compete

Section XX.B. hereof shall not apply to ownership by FRANCHISEE of less than a five percent (5%) beneficial interest in the outstanding equity securities of any Publicly-Held Corporation.

## D. FRANCHISEE Will Not Divert Business or Injure the Goodwill Associated with the Names and Marks or the System.

During the term of this Agreement and for a period of two (2) years following the expiration or termination of this Agreement, FRANCHISEE covenants that it will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

1. Divert or attempt to divert business or customers of the Business with which or with whom FRANCHISEE has had contact during the term of this Agreement to any competitor or Competitive Business by direct or indirect inducement or otherwise; or

2. Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Names and Marks or the System or both.

E. FRANCHISOR Is Entitled to Injunctive Relief

FRANCHISEE acknowledges that any failure to comply with the requirements of this Section XX. will cause FRANCHISOR irreparable injury for which no adequate remedy at law may be available, and FRANCHISEE hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by FRANCHISEE in violation of the terms of this Section XX. and waives any requirement for the posting of any bond(s) relating thereto. FRANCHISOR may further avail itself of any legal or equitable rights and remedies that it may have under this Agreement or at law.

F. Covenants Are Enforceable Independent of Claims: No Right of Setoff

FRANCHISEE expressly agrees that the existence of any claim it may have against FRANCHISOR, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by FRANCHISOR of the covenants of this Section XX. FRANCHISEE shall not have the right to set off any claims against FRANCHISOR amounts payable to FRANCHISOR hereunder.

## SECTION XXI

### OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE OR SERVICES

FRANCHISOR shall provide FRANCHISEE with the following assistance and services:

A. Site Approval

FRANCHISOR shall review FRANCHISEE's site selection and Lease, based on an analysis of local competing businesses, population density and other demographics, visibility and accessibility, traffic patterns, the neighborhood, suitability of the premises to be leased and other factors more fully described in the Manual; however, FRANCHISEE has the sole responsibility for selecting a site. The suitability of a site is determined by FRANCHISOR on a case-by-case basis. FRANCHISOR's acceptance of a site does not constitute a guarantee by FRANCHISOR that the Business will be profitable or otherwise successful. FRANCHISEE shall not sign a lease for the Business without FRANCHISOR's prior written approval. FRANCHISOR's approval of a lease for the site, in accordance with the provisions of this Agreement, shall constitute FRANCHISOR's acknowledgement that the Lease either meets all of the requirements of this Agreement or that such requirements have been waived by FRANCHISOR, however, FRANCHISOR's approval of a Lease for a site does not constitute a guarantee by FRANCHISOR that a PHENIX SALON SUITES Business operated at that site will be profitable or otherwise successful.

B. Business-Layout and Design

Provided that FRANCHISEE leases an existing building, FRANCHISOR will assist FRANCHISEE with the layout and design of the Business, including location of walls, counters, equipment, fixtures and signs within two weeks following the lease of the premises and

delivery of the floor plan to FRANCHISOR. The costs of leasehold improvements, signs, furniture and fixtures for finishing out the Business are the sole responsibility of FRANCHISEE.

C. Construction Management

FRANCHISOR, or a vendor designated by FRANCHISOR, will help FRANCHISEE recruit a contractor and negotiate the final bid and make a site visit during Construction. FRANCHISEE is ultimately responsible for recruiting a contractor and negotiating the final bid.

D. Marketing of Suites

At FRANCHISEE's request, FRANCHISOR will market FRANCHISEE's salon suite rentals during Construction, at FRANCHISEE's expense, in the manner designated by FRANCHISOR.

E. Training, Advice and Assistance

1. If this is FRANCHISEE's first PHENIX SALON SUITES Business, FRANCHISOR will provide training to FRANCHISEE (or its managing owner) and up to three (3) of its manager-level employees with respect to operation a PHENIX SALON SUITES Business, consisting of two days of training at FRANCHISOR's training facility in Carlsbad, CA, Las Vegas, NV or other location designated by FRANCHISOR, and one and one-half days of training at FRANCHISEE's location during the opening week (the "*Initial Training Program*"). The Initial Training Program will begin approximately thirty (30) days or more before the opening of the Business and the exact days will be mutually agreed upon by FRANCHISOR and FRANCHISEE.

2. FRANCHISOR may also offer training resources, as FRANCHISOR deems appropriate, in its sole and absolute discretion, at a cost to FRANCHISEE determined by FRANCHISOR, to assist FRANCHISEE at its Business location.

3. FRANCHISOR may provide such continuing advisory assistance to FRANCHISEE in the operation, advertising and promotion of the Business and/or such refresher-training programs for FRANCHISEE and to FRANCHISEE's employees, as FRANCHISOR deems appropriate in its sole and absolute discretion.

4. FRANCHISOR may, from time to time, provide to FRANCHISEE, at FRANCHISEE's expense, such advertising and promotional plans and materials for local advertising as described in Section XI.B. of this Agreement and may direct the discontinuance of such plans and materials, from time to time. All other advertising and promotional materials that FRANCHISEE proposes to use must be reviewed and approved by FRANCHISOR pursuant to Section XI.B hereof.

5. FRANCHISOR may conduct additional seminars or other training programs for the benefit of FRANCHISEE, and FRANCHISEE (and/or its employees) may attend any such seminar or program. FRANCHISOR may charge a reasonable fee for such seminar or program if it is deemed appropriate, in its sole and absolute discretion. Any and all traveling, living and other expenses incurred by anyone attending training shall also be paid by FRANCHISEE.

6. FRANCHISEE may make reasonable requests for training in addition to that specified above, and FRANCHISOR shall provide such training, at FRANCHISEE's expense, including without limitation any travel, lodging, meals and other related costs incurred by the trainer(s) and/or trainee(s).

7. FRANCHISEE shall (at its sole cost and expense) complete and/or shall cause its employees to complete, to FRANCHISOR's satisfaction, such other additional training as FRANCHISOR may reasonably require from time to time.

8. FRANCHISOR may provide FRANCHISEE, from time to time, as FRANCHISOR deems appropriate, in its sole and absolute discretion, such merchandising, marketing and other data and advice as may from time to time be developed by FRANCHISOR and deemed by FRANCHISOR to be helpful in the management and operation of the Business.

9. FRANCHISOR may provide such periodic individual or group advice, consultation and assistance, rendered by personal visit or telephone, or by newsletter or bulletins made available from time to time to all PHENIX SALON SUITES franchisees, as FRANCHISOR deems necessary or appropriate, in its sole and absolute discretion.

10. FRANCHISOR may provide such bulletins, brochures, manuals and reports, if any, as may from time to time be published by or on behalf of FRANCHISOR regarding its plans, policies, developments and activities. In addition, FRANCHISOR may provide such communication concerning new developments, techniques and improvements in management that FRANCHISOR determines, in its sole and absolute discretion, are relevant to the operation of the Business.

11. FRANCHISOR shall provide the requirements for a standardized system for accounting, cost control and inventory control.

12. FRANCHISOR shall seek to maintain the high standards of quality, appearance, and service of the System and, to that end, may conduct, as it deems advisable, in its sole and absolute discretion, inspections of the Business, and evaluations of the services rendered thereat.

13. FRANCHISOR may take such action as it determines appropriate, in its sole and absolute discretion, to protect and preserve the Names and Marks against unauthorized operations that infringe on such Names and Marks.

14. All obligations of FRANCHISOR under this Agreement shall benefit only FRANCHISEE, and no other party is entitled to rely on, enforce, benefit from or obtain relief for breach of such obligations, either directly or by subrogation.

F. FRANCHISOR will provide continuing consultation and advice regarding business, financial, operational, technical, pricing, legal, sales and advertising matters, products, type of service and personnel policies regarding the operation of the Business, upon FRANCHISEE's request. FRANCHISOR will provide such assistance by telephone or, if the situation warrants, in the sole and absolute discretion of FRANCHISOR, through on-site assistance of appropriate FRANCHISOR personnel.

#### G. Manual



In order to protect the reputation and goodwill of FRANCHISOR and to maintain high standards of operation under FRANCHISOR's Proprietary Marks, FRANCHISEE shall conduct the Business in accordance with this Agreement and the manuals and/or videotapes provided by FRANCHISOR to FRANCHISEE (the "*Manual*") for the term of this Agreement, other written directives which FRANCHISOR may issue to FRANCHISEE from time to time whether or not such directives are made part of the Manual, and any other manuals, videotapes, and materials created or approved for use in the operation of the Business by FRANCHISOR, from time to time. FRANCHISEE shall at all times treat the Manual, any written directives of FRANCHISOR, any business plans and specifications, and any other manuals created for or approved for use in the operation of the Business, and any supplements thereto, and the information contained therein, in trust and as confidential information, and shall use all reasonable efforts to maintain such information as secret and confidential. FRANCHISEE shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The Manual, written directives, other manuals and materials, and any other confidential communications provided or approved by FRANCHISOR, shall at all times remain the sole property of FRANCHISOR and shall at all times be kept and maintained in a secure place at the Business premises.

FRANCHISOR may from time to time revise the contents of the Manual and the contents of any other manuals and materials created or approved for use in the operation of the Business, and FRANCHISEE expressly agrees that each new or changed standard shall be deemed effective upon receipt by FRANCHISEE or as specified in such standard. FRANCHISEE shall at all times insure that its copy of the Manual is kept current and up-to-date; and, in the event of any dispute as to the contents of the Manual, the master copy of the Manual maintained by FRANCHISOR at FRANCHISOR's headquarters shall be controlling.

Any suggestions FRANCHISEE may have concerning the improvement of services, products, equipment, uniforms, business facilities, service format and advertising are encouraged and shall be considered by FRANCHISOR when adopting or modifying the standards, specifications and procedures for the System.

#### H. Recommended Price Schedules

FRANCHISOR shall advise FRANCHISEE from time to time, concerning suggested leasing/licensing prices. Nothing contained herein shall be deemed a representation by FRANCHISOR that the use of FRANCHISOR's suggested prices will in fact optimize profits.

#### I. Advertising and Promotion; Use of Internet

FRANCHISOR shall develop and provide creative materials for local and regional advertising and make such advertising materials available to FRANCHISEE for publication or distribution in FRANCHISEE's market area at FRANCHISEE's own expense. FRANCHISOR shall provide specific guidelines for advertising initiated by individual franchisees and shall reserve the right to disapprove any advertising that, in FRANCHISOR's opinion, is not in accordance with these guidelines, however, no approval shall be unreasonably withheld or denied. Immediately upon notification to do so, FRANCHISEE shall discontinue any advertising that would, in FRANCHISOR's opinion, be detrimental. FRANCHISOR shall maintain a website in connection with the marketing and promotion of PHENIX SALON SUITES Businesses and products and shall keep that website updated and link that website to the Business. Any use of the Internet by FRANCHISEE in connection with the operation of the Business must in the manner specified or approved by FRANCHISOR. In connection therewith, FRANCHISEE must execute Exhibit F to

this Agreement and ensure that each of its salon professionals execute a waiver similar in form to the document attached thereto as Exhibit F.

## **SECTION XXII**

### **VARYING STANDARDS**

Because complete and detailed uniformity under many varying conditions may not be possible or practical, FRANCHISOR specifically reserves the right and privilege, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any FRANCHISEE based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which FRANCHISOR deems to be of importance to the successful operation of such FRANCHISEE's Business. FRANCHISEE shall not have any right to complain about a variation from standard specifications and practices granted to any other FRANCHISEE and shall not be entitled to require FRANCHISOR to grant to FRANCHISEE a like or similar variation.

## **SECTION XXIII**

### **TRANSFER, ASSIGNMENT OR SALE OF FRANCHISE**

#### **A. Transfer or Assignment by FRANCHISEE**

If FRANCHISEE is an individual, FRANCHISEE may transfer or assign all or part of its rights or obligations under this Agreement to a family member or an entity owned or controlled by FRANCHISEE. Except as otherwise provided herein, neither this Agreement, nor any of FRANCHISEE's rights or privileges hereunder, nor the Business, nor all or any substantial part of the assets the Business, shall be assigned, transferred, sold, shared, redeemed or divided by operation of law or otherwise, in any manner, without the prior written consent of FRANCHISOR, which consent will not be unreasonably withheld or delayed. In granting any such consent, FRANCHISOR may impose reasonable conditions, including, without limitation, the following:

1. FRANCHISEE must be in full compliance with the terms of this Agreement, including being paid in full on all fees due and payable to FRANCHISOR or its affiliate or any third party;

2. The proposed assignee or transferee (or its partners, managers, directors, officers, or controlling shareholders, if it is a limited liability company, corporation or partnership) must meet the then-applicable standards of FRANCHISOR for a new FRANCHISEE;

3. The proposed assignee or transferee must not operate a Competitive Business (as defined herein) or intend to conduct a Competitive Business at the Approved Location;

4. The terms of the transfer or sale must be approved by FRANCHISOR in writing, which approval shall not be unreasonably withheld;

5. Except in the case of a transfer to a family member of FRANCHISEE or an entity owned or controlled by FRANCHISEE, the assignee or transferee must

pay FRANCHISOR an initial franchise fee in an amount equal to Fifty Percent (50%) of the then current standard initial franchise fee charged by FRANCHISOR;

6. Subject to the requirements of applicable state law, FRANCHISEE and its owners must execute a mutual general release, in a form satisfactory to FRANCHISOR, as a condition to its approval of assignment or other transfer of the Business, whereby each party releases the other from any and all claims against the other, and its officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

7. The proposed assignee or transferee must demonstrate to FRANCHISOR satisfaction that it meets FRANCHISOR's educational, managerial, and business standards, possesses a good moral character, business reputation, and credit rating has the aptitude and ability to conduct the Business (as may be evidenced by prior related business experience or otherwise) and has adequate financial resources and capital to operate the Business.

8. The proposed assignee or transferee (and, if the assignee or transferee is other than an individual, such principals and/or owners of a beneficial interest in the assignee as FRANCHISOR may request) must execute the standard franchise agreement then being offered to new System franchisees and such other ancillary agreements as FRANCHISOR may require for the Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may materially differ from the terms of this Agreement, including, without limitation, a higher royalty, National Brand Fee, advertising contribution, and service charge for goods;

9. The assignee or transferee, at its expense, shall upgrade the Business to conform to the then-current standards and specifications of the new entry System and complete the upgrading and other requirements within the time specified by FRANCHISOR.

10. FRANCHISEE shall remain liable for all of the obligations to FRANCHISOR in connection with the Business prior to the effective date of the transfer, and shall execute any and all instruments reasonably requested by FRANCHISOR to evidence such liability, and shall agree to remain obligated under all of the post-term covenants of this Agreement as fully as if this Agreement terminated on the date of the transfer;

11. The assignee or transferee shall agree to a sublease or to a transfer and an assignment and assumption of the lease for the Approved Location from FRANCHISEE and shall obtain the landlord's approval, if required, prior to any transfer or sublease.

In the event FRANCHISEE transfers, assigns or sells any of FRANCHISEE's rights or privileges hereunder, or the Business, or all or any substantial part of the assets the Business without FRANCHISOR's consent, then in addition FRANCHISOR's other rights and remedies hereunder or at law, FRANCHISEE shall pay FRANCHISOR the Royalty, National Brand Fee and all other sums payable by FRANCHISEE hereunder during the remainder of the current term of this Agreement, in full, upon the effective date of such transfer, assignment or sale, in addition to all other damages incurred or sustained by FRANCHISOR.

B. Assignment by FRANCHISOR

FRANCHISOR has an unrestricted right to transfer or assign all or part of its rights or obligations under this Agreement to any assignee or other legal successor to the interests of FRANCHISOR.

C. Transfer Upon Death or Mental Incapacity

Upon the death or mental incapacity of FRANCHISEE or a principal of FRANCHISEE, the executor, administrator, or personal representative of that person must transfer his interest to a third party approved by FRANCHISOR within six (6) months after death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any *inter vivos* transfer, however, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions of this Agreement, the personal representative of the deceased FRANCHISEE shall have a reasonable time to dispose of the deceased's interest in the Business, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within a reasonable time, FRANCHISOR may terminate this Agreement. Pending assignment, upon the death of the principal, or in the event of any temporary or permanent mental or physical disability of the principal, a manager shall be employed for the operation of the Business who has successfully completed FRANCHISOR's training courses to operate the Business for the account of FRANCHISEE. If, after the death or disability of the principal, the Business is not being managed by such trained manager, FRANCHISOR is authorized to appoint a manager, who shall be deemed to be an employee of FRANCHISEE, to maintain the operation of the Business until an approved assignee will be able to assume the management and operation of the Business, but in no event for a period exceeding one (1) year without the approval of the personal representative of the Principal, but in order to prevent any interruption in the operation of the Business, FRANCHISOR may, at its option, operate the Business for a ninety (90) day renewable term, renewable as necessary for up to one (1) year, and FRANCHISOR will periodically discuss the status of the Business with FRANCHISEE or FRANCHISEE's heirs. All funds from the operation of the Business during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Business, including compensation of such manager, other costs and travel and living expenses of such appointed or approved manager (the "*Management Expenses*"), shall be charged to such fund. As compensation for the management services provided, in addition to the Fees due hereunder, FRANCHISOR shall charge such fund the full amount of the direct expenses incurred by FRANCHISOR during such period of management for and on behalf of FRANCHISEE, provided that FRANCHISOR shall only have a duty to utilize reasonable efforts and shall not be liable to FRANCHISEE, the principal or personal representative of the principal, the Entity or any person or entity having an interest therein for any debts, losses or obligations incurred by the Business, or to any creditor of FRANCHISEE or the principal during any period in which it is managed by a FRANCHISOR-appointed or approved manager.

D. Sale of Franchised Business

If the FRANCHISEE (or its owners) desires to sell the Business, substantially all of the ownership of the Business, or substantially all of the assets of the Business, whether in a single or a series of transactions, and FRANCHISEE (or its owners) obtains a bona fide written offer from a third-party purchaser to purchase the Business, or such ownership or assets, FRANCHISEE shall promptly submit such offer to FRANCHISOR. Within 10 days of FRANCHISOR's receipt of such written offer, FRANCHISOR may request additional information from FRANCHISEE to determine whether the offer is bona fide, which FRANCHISEE shall promptly provide. For a period of thirty (30) days from the date of FRANCHISOR's receipt of such

offer and all such additional requested information, FRANCHISOR shall have the right, exercisable by written notice to FRANCHISEE (or its owners), to purchase the Business, or such ownership or assets, for the price and on the same terms and conditions contained in such offer, provided that: (i) FRANCHISOR may substitute cash for any form of payment proposed in such offer; and (ii) FRANCHISOR may require the FRANCHISEE to make certain alterations, modifications or improvements to bring the Business into compliance with FRANCHISOR's then-current System standards or, at FRANCHISOR's option, may offset a portion of the purchase price with FRANCHISOR's reasonable estimate of the cost of such alteration, modification or improvements. To enable FRANCHISOR to determine whether it will exercise its option, FRANCHISEE shall provide, and shall cause the prospective third-party purchaser to provide, such information and documentation, including current financial statements, as FRANCHISOR may require. In the event that FRANCHISOR elects to purchase said interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase the Business, or the ownership or assets thereof, by FRANCHISOR. Failure of FRANCHISOR to exercise the option afforded by this Section XXIII.D. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section XXIII, with respect to a proposed transfer of the Business or any ownership interest or assets thereof. If FRANCHISOR does not exercise its right of first refusal, the bona fide written offer may be accepted by FRANCHISEE or its owners, subject to the prior written approval of FRANCHISOR; provided that, FRANCHISEE must accept the offer from the third party on exactly the same terms as originally provided to FRANCHISOR. Any subsequent change by FRANCHISEE or the prospective third-party purchaser in the terms of any offer prior to closing shall constitute a new offer by the third-party purchaser subject to the same rights of first refusal by FRANCHISOR as in the case of an initial offer.

#### E. Injunctive Relief

FRANCHISEE acknowledges that any failure to comply with the requirements of this Section XXIII. will cause FRANCHISOR irreparable injury for which no adequate remedy at law may be available, and FRANCHISEE hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by FRANCHISEE in violation of the terms of this Section XXIII. and waives any requirement for the posting of any bond(s) relating thereto. FRANCHISOR may further avail itself of any legal or equitable rights and remedies that it may have under this Agreement or at law.

### **SECTION XXIV**

#### **TERMINATION OF FRANCHISE**

##### A. By FRANCHISOR With Notice and Right of Cure

Except as otherwise provided herein, if FRANCHISEE shall breach any material provision of this Agreement or any other agreement (including Development Agreement) between FRANCHISOR and FRANCHISEE (or if there is a default under another agreement between FRANCHISOR and an entity owned, in whole or in part, by FRANCHISEE or one or more owners of FRANCHISEE) and such breach or default is not cured, to FRANCHISOR's reasonable satisfaction, within thirty (30) days (or such longer period of time as may reasonably be required, or as may be required by applicable law, or such shorter period as may be provided by this Agreement) following receipt of a written notice of default from FRANCHISOR specifying the breach, in reasonable detail, FRANCHISOR shall have the right to terminate this Agreement and the Franchise granted hereby, upon delivery of written notice of termination to FRANCHISEE.

Notwithstanding the foregoing, the cure period for any violations of health, safety, or sanitation laws shall be seventy-two (72) hours following FRANCHISEE's receipt of a written notice of default and the cure period for any monetary defaults owed under this Agreement or owed to any of FRANCHISEE's third-party suppliers, including, without limitation, the landlord under the Lease, shall be ten (10) days following FRANCHISEE's receipt of a written notice of default.

B. By FRANCHISOR Without Prior Notice or Right of Cure

Notwithstanding anything contained herein to the contrary, FRANCHISEE shall be deemed to be in material breach of the Agreement and FRANCHISOR shall have the right to terminate this Agreement and all rights granted under it, without prior notice or affording FRANCHISEE any opportunity to cure the breach, if:

1. FRANCHISEE defaults under the Lease and fails to cure such default, if a cure is allowed pursuant to the provisions of the Lease, within the applicable cure period;

2. FRANCHISEE abandons, surrenders, or transfers control of the operation of the Business or fails to operate the Business for a period in excess of three (3) consecutive days, unless precluded from doing so by damage to the premises of the Business, acts of God, civil disturbance, natural disaster, labor dispute or other events beyond FRANCHISEE's reasonable control;

3. FRANCHISOR determines that FRANCHISEE has made a material misrepresentation or omission on its application for the Business or any other document that FRANCHISEE is required to submit to FRANCHISOR;

4. FRANCHISEE transfers, assigns, or sub-franchises this Agreement without the prior written consent of FRANCHISOR;

5. FRANCHISEE discloses or divulges the contents of the Manual or any other Proprietary Information provided to FRANCHISEE by FRANCHISOR;

6. FRANCHISEE repeatedly fails to substantially comply with any of the terms and provisions of this Agreement, whether or not cured after notice;

7. FRANCHISEE is convicted of a felony, or pleads *nolo contendere* to a felony, or engages in dishonest or unethical conduct, or commits a breach of this Agreement or engages in any other activity or conduct that impairs the goodwill or has a material adverse effect on FRANCHISOR or the Names, Marks or the System;

8. A final judgment remains unsatisfied or of record for thirty (30) days or longer (unless *supersedeas bond* is filed), or FRANCHISEE fails to discharge any lien placed against the property of the Business, or execution is levied against the Business or property or against any ownership interest in FRANCHISEE, and such levy is not promptly released, or any real or personal property of the Business is sold after levy thereupon by any sheriff, marshal or constable;

9. FRANCHISEE becomes insolvent, or makes an assignment for the benefit of creditors or an admission of FRANCHISEE's inability to pay its obligations as they become due, or files a voluntary petition in bankruptcy or any pleading seeking any reorganization,

arrangement, disposition, adjustment, liquidation, dissolution or similar release under any law, or admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of FRANCHISEE or the Business, or the claims of creditors of FRANCHISEE or the Business are abated or subject to a moratorium under any laws;

10. A bill in equity or other proceeding for the appointment of a receiver of FRANCHISEE or other custodian for the Business or assets is filed and consented to by FRANCHISEE, or if a receiver or other custodian (permanent or temporary) of the Business, FRANCHISEE, or FRANCHISEE's assets or property, or any part thereof, is appointed by any court of competent jurisdiction or by private instrument or otherwise, or if proceedings for a composition with creditors under any state or federal law are instituted by or against FRANCHISEE, or if FRANCHISEE is dissolved or is wound up;

11. FRANCHISEE submits any materially false reports to FRANCHISOR;

12. FRANCHISEE or its beneficial owner or affiliate materially breaches any other instrument or agreement entered into with FRANCHISOR or its affiliates (or FRANCHISOR's beneficial owner).

13. If FRANCHISEE commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice;

14. FRANCHISEE understates Gross Sales reported to FRANCHISOR or to any applicable governmental agency, including a state or federal taxing authority, or FRANCHISEE fails to file any applicable tax return or pay state or federal taxes when due;

15. None of FRANCHISEE's candidates for management training adequately complete FRANCHISOR's management-training program;

16. FRANCHISEE or its beneficial owner or affiliate fails to comply with the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) List of Specially Designated Nationals and Other Blocked Persons (including known terrorists and narcotics and human traffickers), or fails to comply with any anti-money laundering, anti-bribery, or trade sanctions or other laws or embargoes, including without limitation, the U.S. Patriot Act and the U.S. Foreign Corrupt Practices Act and related regulations and executive orders; or

17. FRANCHISEE is in breach of any other agreement (each, a "*Related Agreement*") between it, or FRANCHISEE's affiliate, and FRANCHISOR, or FRANCHISOR's affiliate, and fails to cure said breach (if applicable) during the period of time provided under said agreement;

18. Any Related Agreement is terminated due to FRANCHISEE's or FRANCHISEE's affiliate's conduct.

19. The breach is not reasonably susceptible to a cure.

C. By FRANCHISEE With Notice and Right to Cure

Provided that FRANCHISEE is in material compliance with this Agreement, if FRANCHISOR breaches any material provision of this Agreement and fails to cure such breach within thirty (30) days (or such longer period of time as may reasonably be required) after written notice thereof is delivered to FRANCHISOR that describes the default with sufficient specificity to enable FRANCHISOR to effect a cure, FRANCHISEE shall have the right to terminate this Agreement and the Franchise granted hereby, effective thirty (30) days after delivery of a written notice of termination to FRANCHISOR. Any termination of this Agreement and the Franchise by FRANCHISEE without complying with the foregoing requirements or for any reason other than a breach of any material provision of this Agreement by FRANCHISOR that is not cured within thirty (30) days (or such longer period of time as may reasonably be required) after FRANCHISOR's receipt of written notice thereof, shall be deemed a termination by FRANCHISEE without cause. Notwithstanding anything contained herein to the contrary, Franchisor shall not be deemed to be in default hereunder as the result of the breach of any material provision of this Agreement unless Franchisee delivers a written notice to Franchisor that describes the breach with sufficient specificity in a timely manner, so that Franchisor will have an opportunity to cure the breach, and Franchisor fails to cure the breach within thirty (30) days (or such longer period of time as may reasonably be required) after Franchisor's receipt of such written notice.

D. If this Agreement is terminated due to FRANCHISEE's default, then FRANCHISEE will promptly pay FRANCHISOR a lump sum payment (as damages and not as a penalty) for breaching this Agreement in an amount equal to: (a) the average monthly Royalty, National Brand Fee, and other fees payable by FRANCHISEE over the twelve (12) month period immediately preceding the date of termination; (b) multiplied by the lesser of (1) thirty-six (36) months or (2) the number of months then remaining in the Term. If this Agreement is terminated due to FRANCHISEE's failure to lease the premises for the Business, if FRANCHISEE fails to open the Business as required by this Agreement, or if this Agreement terminates before the Business has been open for twelve (12) months, then, for the purpose of the preceding calculation, the average monthly Royalty, National Brand Fee, and other fees will be deemed to be minimum Royalty, National Brand Fee, and other fees set forth in Section X above. FRANCHISEE acknowledges that a precise calculation of the full extent of damages FRANCHISOR will incur upon termination of this Agreement as a result of FRANCHISEE's default is difficult to determine and that this lump sum payment is reasonable in light of the damages FRANCHISOR will incur for the premature termination of this Agreement. This lump sum payment will be in lieu of any damages FRANCHISOR may incur as a result of FRANCHISEE's default, but it will be in addition to all other amounts provided in this Agreement, and other costs and expenses (including attorneys' fees) to which FRANCHISOR is entitled. FRANCHISEE also agrees to pay FRANCHISOR for its legal costs, including attorneys' fees, incurred by FRANCHISOR in trying to collect on this payment. FRANCHISEE's payment of this lump sum will not affect in any way FRANCHISOR's right to obtain injunctive relief and other remedies and/or the covenants set forth in this Agreement.

## **SECTION XXV**

### **FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION**

#### **A. FRANCHISEE Shall Cease Using Names and Marks and Trade Dress**

FRANCHISEE agrees that, upon termination or expiration of this Agreement, FRANCHISEE shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any confidential methods, procedures, descriptions of products or techniques associated with FRANCHISOR or the Names and Marks and any proprietary marks and distinctive forms, slogans, symbols, signs, logos, trade dress or devices associated with the System, whether



or not such Names and Marks and proprietary marks and distinctive forms, slogans, symbols, signs, logos, trade dress or devices are protectable at law. In particular, FRANCHISEE shall cease to use, without limitation, all signs, advertising materials, stationery, forms and any other articles that display the Names and Marks and remodel the property occupied by the Business in order to completely remove all elements of trade dress associated with the System, including but not limited to colors, waterfalls, flooring, furniture in suites, and the like. FRANCHISEE shall comply with the covenant not to compete and the agreement to maintain the confidentiality of proprietary information.

B. FRANCHISEE Shall Cease Operating Business

FRANCHISEE shall immediately cease to operate the Business, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former PHENIX SALON SUITES franchisee.

C. FRANCHISEE May Not Adopt Confusingly Similar Names and Marks

Subject to the provisions of this Agreement, in the event FRANCHISEE continues to operate or subsequently begins to operate any other business, FRANCHISEE shall not use any reproduction, counterfeit, copy or colorable imitation of the Names and Marks, or the trade dress associated with the System, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute FRANCHISOR's exclusive rights in and to the Names and Marks and/or the trade dress associated with the System, and further agrees not to utilize any designation of origin or description or representation or trade dress which falsely suggests or represents an association or connection with FRANCHISOR or a former association or connection with FRANCHISOR.

D. FRANCHISEE Shall Cancel Assumed Names and Transfer Phone Numbers

FRANCHISEE agrees that, upon termination or expiration of this Agreement, it will take such action that may be required to cancel all assumed names or equivalent registrations relating to its use of any Names or Marks and to notify the telephone company and listing agencies of the termination or expiration of FRANCHISEE's right to use any telephone number in any classified ad and any other telephone directory listings associated with the Names and Marks or with the Business and to authorize transfer of same to FRANCHISOR. FRANCHISEE acknowledges that as between FRANCHISOR and FRANCHISEE, FRANCHISOR has the sole rights to an interest in all telephone number and directory listings associated with any Names or Marks of the Business. FRANCHISEE further authorizes FRANCHISOR, and hereby appoints FRANCHISOR as its attorney in fact, to direct the telephone company and all listing agencies to transfer same to FRANCHISOR, should FRANCHISEE fail or refuse to do so, and the telephone company and all listing agencies may accept such direction in this Agreement as conclusive evidence of the exclusive rights of FRANCHISOR in such telephone numbers and directory listings and its authority to direct their transfer.

E. FRANCHISEE Must Return Manual and Other Materials

Upon termination or expiration of this Agreement, FRANCHISEE must immediately return to FRANCHISOR all copies of the Manual, training aids and any other materials that have been loaned to it by FRANCHISOR. FRANCHISEE further agrees to turn over to FRANCHISOR any other manuals, computer programs, software, customer lists, records, files,

instructions, correspondence and brochures, and any and all other confidential and proprietary materials relating to the operation of the Business in FRANCHISEE's possession, custody, or control, and all copies thereof (all of which are acknowledged to be FRANCHISOR's property), and only FRANCHISEE's copy of this Agreement and any correspondence between the parties, and any other document copies which FRANCHISEE reasonably needs for compliance with any provision of law may be retained by FRANCHISEE.

F. FRANCHISOR May Require an Assignment of the Lease and/or Purchase Furniture, Equipment, Signs, Furnishings, Fixtures, Advertising Materials and Products at FRANCHISOR's option, which must be exercised prior to or within thirty (30) days following the date of termination or expiration, FRANCHISEE shall assign the Lease to FRANCHISOR or a party designated by FRANCHISOR, in which event FRANCHISEE must promptly satisfy all obligations under the Lease through the effective date of the assignment. FRANCHISOR shall also have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase any or all furniture, fixtures, equipment, signs, advertising materials and products used or to be used by FRANCHISEE in connection with the Business, at the lesser of fair market value (less the amount of any outstanding liens or encumbrances) or cost. If FRANCHISOR and FRANCHISEE cannot agree on fair market value within a reasonable time, an independent appraiser shall be designated by FRANCHISOR and FRANCHISEE whose determination shall be binding. If FRANCHISOR and FRANCHISEE cannot agree on an appraiser within a reasonable time, an independent appraiser shall be designated by each party, and the two independent appraisers so designated shall select a third independent appraiser. The determination of fair market value made by the third appraiser so chosen shall be binding. If FRANCHISOR elects to exercise any option to purchase as herein provided, it shall have the right to set off all amounts due from FRANCHISEE, and the cost for the appraisal, if any, against any payment therefor.

G. FRANCHISEE Must Pay Monies Owed to FRANCHISOR

FRANCHISEE shall pay to FRANCHISOR, within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Royalty, National Brand Fee and any other sums as may be owed to FRANCHISOR by FRANCHISEE and are then unpaid. In addition, if this Agreement is terminated by FRANCHISOR as a result of FRANCHISEE's default hereunder, FRANCHISEE shall also pay to FRANCHISOR, within fifteen (15) days after the effective date of termination of this Agreement, all fees payable by FRANCHISEE to FRANCHISOR during the remainder of the term of this Agreement.

**SECTION XXVI**

**ENFORCEMENT**

A. FRANCHISEE May Not Withhold Payments Due FRANCHISOR

FRANCHISEE agrees that he or she will not withhold payments of any Royalty, National Brand Fee or any other amounts of money owed to FRANCHISOR for any reason, on grounds of alleged nonperformance by FRANCHISOR of any obligation hereunder. All such claims by FRANCHISEE shall, if not otherwise resolved by FRANCHISOR and FRANCHISEE, be submitted to arbitration as provided in this Agreement.

B. Severability and Substitution of Valid Provisions

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.

### C. Arbitration

Except insofar as FRANCHISOR elects to enforce this Agreement by judicial process, injunction, or specific performance (as hereinabove provided), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of FRANCHISEE prescribed by FRANCHISOR, or any obligation of FRANCHISOR, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of FRANCHISEE or FRANCHISOR, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be resolved by mandatory binding arbitration in El Paso County, Colorado, in accordance with the U.S. Arbitration Act and the Rules of the American Arbitration Association (in accordance with the rules relating to the arbitration of disputes arising from franchise and license agreements, if any, or otherwise in accordance with the general rules of commercial arbitration), provided that at the option of FRANCHISOR or FRANCHISEE the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association (if obtainable, or otherwise in accordance with the customary procedures for selecting an arbitrator). The arbitrator shall allow discovery in accordance with the Federal Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of FRANCHISOR or FRANCHISEE. During the pendency of any arbitration proceeding hereunder, FRANCHISEE shall fully perform its obligations pursuant to the terms and conditions of this Agreement.

## SECTION XXVII

### APPROVALS AND WAIVERS

Whenever this Agreement requires the prior approval or consent of FRANCHISOR, FRANCHISEE shall make a timely written request to FRANCHISOR therefor, and such approval or consent shall be obtained in writing. FRANCHISOR makes no warranties or guarantees upon which FRANCHISEE may rely, and assumes no liability or obligation to FRANCHISEE, by providing any waiver, approval, consent, or suggestion to FRANCHISEE or in connection with any consent, or by reason of any neglect, delay, or denial of any request therefor. No failure of FRANCHISOR to exercise any power reserved to it by this Agreement or to insist upon strict compliance by FRANCHISEE with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of FRANCHISOR's right to demand exact compliance with any of the terms herein. Waiver by FRANCHISOR of any particular default or breach by FRANCHISEE shall not affect or impair FRANCHISOR's rights with respect to any subsequent default or breach of the same, similar or different nature, nor shall any delay, forbearance, or omission, breach or default by FRANCHISOR to exercise any power or right arising out of any breach or default by FRANCHISEE of any of the

terms, provisions, or covenants hereof, affect or impair FRANCHISOR's right to exercise the same, nor shall such constitute a waiver by FRANCHISOR of any preceding breach by FRANCHISEE of any terms, covenants or conditions of this Agreement.

## **SECTION XXVIII**

### **AUTHORITY**

FRANCHISEE or, if FRANCHISEE is a corporation, limited liability company or partnership, the individuals executing this Agreement on behalf of such corporation, limited liability company or partnership, warrant to FRANCHISOR, both individually and in their capacities as partners or officers, that all the partners in the partnership or all of the shareholders or members of the corporation or limited liability company, as the case may be, have read and approved this Agreement, including the restrictions which this Agreement places upon their right to transfer their respective interests in the partnership, corporation or limited liability company, as set forth in Section XXIII. hereof.

## **SECTION XXIX**

### **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified or express mail, return receipt requested, or by overnight delivery service, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to FRANCHISOR:

PHENIX SALON SUITES FRANCHISING, LLC  
514 Via De La Valle, Suite 203  
Solana Beach, CA 92075  
Attention: President

Notices to FRANCHISEE:

\*

Any notice by certified or express mail, or overnight delivery service, shall be deemed to have been given at the earlier of the date and time of receipt or refusal of receipt or, if by mail, three (3) business days after being deposited in the United States mail. In the event that FRANCHISEE changes its address, FRANCHISEE shall promptly provide FRANCHISOR with its new address.

## **SECTION XXX**

### **MISCELLANEOUS PROVISIONS**

#### **A. Rights of Parties Are Cumulative**

The rights of FRANCHISOR and FRANCHISEE are cumulative, and the exercise or enforcement by FRANCHISOR or FRANCHISEE of any right or remedy shall not preclude the exercise or enforcement by FRANCHISOR or FRANCHISEE of any other right or remedy

hereunder which FRANCHISOR or FRANCHISEE is entitled by law to enforce by the provisions of this Agreement or of the Manual.

B. Judicial Enforcement, Injunction and Specific Performance

FRANCHISOR shall have the right to enforce by judicial process its right to terminate this Agreement for the causes enumerated in Section XXIV. of this Agreement, to collect any amounts owed to FRANCHISOR for any unpaid Royalty, National Brand Fee or other unpaid charges due hereunder, arising out of the business conducted by FRANCHISEE pursuant hereto, and to pursue any rights it may have under any leases, subleases, sales, purchases, or security agreements or other agreements with FRANCHISEE. FRANCHISOR shall be entitled, without bond, to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement.

C. Construction of Agreement

The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. The term "FRANCHISEE" as used herein is applicable to one or more persons, a corporation or partnership, as the case may be, the singular usage includes the plural, and the masculine and neuter usages include the other and the feminine. References to "FRANCHISEE" applicable to an individual or individuals shall mean the principal owner or owners of the equity or operating control of FRANCHISEE if FRANCHISEE is a corporation or partnership.

D. Governing Law

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.) or the U.S. Arbitration Act, this Agreement shall be governed by the laws of the State of Colorado, and venue in any action brought by FRANCHISEE against FRANCHISOR shall lie exclusively in El Paso County, Colorado.

E. Attorney's Fees

In the event FRANCHISOR is required to commence any legal proceeding or court action to enforce its rights hereunder or to defend itself against any legal proceeding or court action instituted by the FRANCHISEE, FRANCHISOR shall be entitled to recover its legal fees and costs, including attorneys' fees, from FRANCHISEE, if FRANCHISOR is the prevailing party.

F. Binding Effect

This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

G. Amendments and Modifications

The Manual may be amended by FRANCHISOR at any time and FRANCHISEE shall adapt its methods or procedures to comply with the requirements thereof. In addition, if FRANCHISEE continues to operate the Business after the expiration of the Initial Term, FRANCHISOR shall have the right to unilaterally modify or amend this Agreement in order to conform it to the then-current form of franchise agreement offered by FRANCHISOR at that time, which may be materially different from the terms and provisions of this Agreement (the "*Amended*

*and Restated Franchise Agreement*”), and FRANCHISEE’s continued operation of the Business after the expiration of the Initial Term shall be deemed to constitute FRANCHISEE’s acceptance of all of the terms and provisions of the Amended and Restated Franchise Agreement. If FRANCHISOR receives a written request from FRANCHISEE at any time within the thirty (30) day period prior to the last date on which FRANCHISEE can exercise its right to renew the Lease, if any, FRANCHISOR will provide FRANCHISEE with a copy of the Amended and Restated Franchise Agreement, which will automatically become effective if and when FRANCHISEE continues to operate the Business after the expiration of the Initial Term.

#### H. Entire Agreement

This Agreement and the documents referred to herein and the attachments hereto, if any, constitute the entire, full, and complete agreement between FRANCHISOR and FRANCHISEE concerning the subject matter hereof and supersede all prior agreements. The parties acknowledge and agree that, unless contained herein, no representations have been made by either party that the parties intend to have any force or effect. Except for those acts permitted to be made unilaterally by FRANCHISOR hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Regardless of anything contained herein to the contrary, nothing contained in this Agreement or any related agreement is intended to disclaim the representations made by FRANCHISOR in the Franchise Disclosure Document.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchise 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.

#### I. Force Majeure

Except for monetary obligations hereunder, or as otherwise specifically provided in this Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Agreement not the fault of such party, then performance of such act shall be excused for the period of the delay, but in no event to exceed ninety (90) days from the stated time periods as set forth in Article I of this Agreement.

*[the remainder of this page is intentionally left blank; the next page is the signature page]*



IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement as of \_\_\_\_\_ (the “*Effective Date*”).

**PHENIX SALON SUITES FRANCHISING, LLC**

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & Chief Executive Officer

FRANCHISEE:

\_\_\_\_\_

\*

By: \_\_\_\_\_  
Name:  
Title:



## Exhibit A to Franchise Agreement

### PERSONAL GUARANTY

FOR VALUE RECEIVED, the receipt and sufficiency of which is hereby acknowledged, and to induce PHENIX SALON SUITES FRANCHISING, LLC dba "Phenix Salon Suites" ("*PHENIX SALON SUITES*") to enter into the above attached Franchise Agreement (the "*Franchise Agreement*"), the undersigned (jointly and severally if more than one) unconditionally guarantees to PHENIX SALON SUITES, its successors and assigns, the prompt payment and performance of any and all payments, indebtedness, obligations and liabilities of every kind or nature now or at any time hereafter owing to PHENIX SALON SUITES by the franchisee identified in the Franchise Agreement ("*FRANCHISEE*"), whether directly or indirectly, and the prompt, full and faithful performance and discharge by FRANCHISEE of each of the terms, conditions, representations, warranties and provisions on the part of FRANCHISEE contained in the Franchise Agreement or any modification, extension, renewal or substitution thereof. The undersigned also hereby assumes and agrees to be personally bound by all of the terms and provisions of the Franchise Agreement, including but not limited to, all of the in-term and post-term covenants contained in the Franchise Agreement. The undersigned agrees that no extension, compromise, arrangement, alteration in time or method of payment, and no other act or omission by PHENIX SALON SUITES shall release or relieve the undersigned with respect to this Guaranty.

The undersigned agrees on demand to pay or reimburse PHENIX SALON SUITES for all expenses, collection charges, costs and attorney's fees, whether in arbitration, out of court or in litigation, including appeals or any bankruptcy court proceedings incurred by PHENIX SALON SUITES in endeavoring to collect, enforce or defend PHENIX SALON SUITES' rights against FRANCHISEE or under this Guaranty, with interest thereon subsequent to default at the highest lawful contract rate.

The undersigned waives (a) notice of demand, default, nonpayment, protest, any adverse change in FRANCHISEE's financial condition, and all other notices to which FRANCHISEE or the undersigned might otherwise be entitled, (b) PHENIX SALON SUITES' grant of indulgences or extensions of terms of payment or performance, and (c) PHENIX SALON SUITES' release of FRANCHISEE, any guarantor or other person primarily or secondarily liable or failure to prosecute, collect or assert any remedies against any of them or against any collateral therein appertaining.

The undersigned agrees that no delay or failure on PHENIX SALON SUITES' part in the exercise of any right or remedy against FRANCHISEE or any of the undersigned shall operate as a waiver thereof, and no single or partial exercise by PHENIX SALON SUITES of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

The undersigned agrees that this Guaranty shall be fully assignable by PHENIX SALON SUITES and shall bind each of the undersigned, together with their heirs, legal representatives, successors and assigns directly, unconditionally and primarily.

This Guaranty shall be governed and construed in accordance with the laws of the State of Colorado, except for its rules with respect to conflict of laws, and all disputes and claims relating to this Guaranty shall be resolved by mandatory binding arbitration by a single arbitrator in El Paso County, Colorado in accordance with the U.S. Arbitration Act and the Rules of the American Arbitration Association (in accordance with the rules relating to the arbitration of disputes arising from franchise and license agreements, if any, or otherwise in accordance with the general rules of commercial arbitration), provided that, at the option of either party, the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association (if obtainable, or otherwise in accordance with the customary procedures for selecting an arbitrator). At the request of any party, the arbitrator shall issue a

written opinion explaining the reasons for his or her decision and award. Judgment upon the award of the arbitrator may be entered by PHENIX SALON SUITES in any court having competent jurisdiction.

Guarantors:

\_\_\_\_\_

Date:

\*

\_\_\_\_\_

Date:

\*

**[Must be signed by each individual who or entity which holds a twenty percent (20%) or greater ownership or beneficial ownership interest in FRANCHISEE, directly or indirectly, (including each individual holding a fifty (50%) or greater interest in any partnership or corporation which holds a twenty percent (20%) or greater interest in FRANCHISEE)]**

**Exhibit B to Franchise Agreement**

**PERSONAL ASSUMPTION OF OBLIGATIONS**

FOR VALUE RECEIVED, the receipt and sufficiency of which is hereby acknowledged, and to induce PHENIX SALON SUITES FRANCHISING, LLC dba "Phenix Salon Suites" ("*PHENIX SALON SUITES*") to enter into the attached Franchise Agreement (the "*Franchise Agreement*"), each of the undersigned hereby assumes and agrees to be personally bound by the covenants contained in Sections XIII.D., XVII, XIX.B and XX of the Franchise Agreement and that any dispute between the parties in connection therewith will be resolved in accordance with the provisions of Section XXVI. of the Franchise Agreement.

\_\_\_\_\_

Date:

\*

\_\_\_\_\_

Date:

\*

**[MUST BE SIGNED BY ALL OWNERS, SHAREHOLDERS  
OR MEMBERS AND THEIR SPOUSES]**



## Exhibit D to Franchise Agreement

### FRANCHISE ADDENDUM TO LEASE AGREEMENT

**THIS FRANCHISE ADDENDUM TO LEASE AGREEMENT** (this “*Addendum*”) is effective as of \_\_\_\_\_ (the “*Effective Date*”), and is being executed concurrently with the lease of even date herewith (the “*Lease*”) by and between \_\_\_\_\_, a \_\_\_\_\_ (“*Tenant*”), and \_\_\_\_\_, a[n] \_\_\_\_\_ (the “*Landlord*”), for certain retail premises more particularly described in the Lease (the “*Premises*”).

1. **Incorporation and Precedence.** This Addendum is incorporated into the Lease and supersedes any conflicting provisions in it. Capitalized terms not otherwise defined in this Addendum have the meanings as defined in the Lease.
2. **Background.** Tenant will operate a Phenix Salon Suites® business at the Premises under a Franchise Agreement (the “*Franchise Agreement*”) with Phenix Salon Suites Franchising, LLC, a Colorado limited liability company (“*Franchisor*”). The Franchise Agreement requires that the Lease contain certain provisions that Tenant is requesting Landlord to include as set forth in this Addendum. Except as otherwise provided herein, nothing in this Addendum shall be construed to impose any Lease obligation on Franchisor. Any rights granted to Franchisor by this Addendum may be exercised, if at all, in Franchisor’s sole option and discretion.
3. **Marks.** Tenant has the right to display the trade and service marks utilized in accordance with the national specifications required by the Franchisor, subject only to Landlord’s reasonable signage requirements, the provisions of applicable laws and private restrictions affecting the Premises; however, Franchisor hereby grants Landlord a limited license in its trademarks, wordmarks, copyrights and likenesses for the express purpose of promoting the Shopping Center or other centers in which Tenant is located pursuant to other agreements with Landlord. Landlord hereby represents that any such use of Franchisor’s intellectual property will be limited to promotional materials including, but not limited to, print, radio, television, Internet and billboard promotions.
4. **Right of Entry.** Landlord grants to Franchisor the right to repair, replace and maintain the Tenant signage or panel on the pylon sign or monument sign, including the right to remove such signage if Tenant is in default of the Franchise Agreement or if the Franchise Agreement expires or is terminated; provided that, if Franchisor shall exercise the right to remove such signage, then Franchisor shall also have the obligation to repair any damaged caused by such removal.
5. **Copies of Reports.** Landlord agrees to provide copies of all revenue and other sales reporting information and data collected by Landlord in accordance with the terms of the Lease (if any) regarding the operation of Tenant’s Phenix Salon Suites® within fifteen (15) business days after Franchisor may request.
6. **Notice of Default.** Landlord will give written notice to Franchisor (concurrently with the giving of such notice to Tenant) of any default or breach under the Lease by Tenant or any guarantor (a “*Default*”), which notice shall be made by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as Franchisor may provide to Tenant and Landlord from time to time. Franchisor shall have the right, but not the obligation, to cure any Default, if Tenant fails to do so, within ten (10) business days after the expiration of the period in which Tenant may cure the Default under the Lease.

Phenix Salon Suites Franchising, LLC  
Attention: Franchise Administrator  
514 Via De La Valle, Suite 203, Solana Beach, CA 92075

With a copy to:  
Quarles & Brady LLP  
411 East Wisconsin Avenue, Suite 2400  
Milwaukee, WI 53202  
Attention: Andrew Beilfuss

7. **Franchisor's Assumption of the Lease.** In the event of a Default that is not cured by Tenant within the applicable cure period provided by the Lease or upon the termination or expiration of the Franchise Agreement, Franchisor shall have the right, but not the obligation, upon written notice to Landlord and Tenant, to assume the Lease (the "*Assignment Notice*"), whereupon (i) the Lease shall be deemed to have been assigned by Tenant to Franchisor, or an affiliate designated by Franchisor in the Assignment Notice, (ii) Franchisor or such affiliate will be deemed to be substituted as the lessee of the Premises under the Lease, in the place and stead of Tenant, and Franchisor will have all of Tenant's rights and be liable for all of Tenant's obligations under the Lease arising after the date of the Assignment Notice, (iii) the Landlord will recognize such assignee as the lessee of the Premises effective as of the date of the Assignment Notice, and (iv) Tenant shall surrender possession of the Premises to Franchisor or such affiliate. Rather than assume the Lease, Franchisor shall have the right to assign the Lease or sublease the Premises to another franchisee of Franchisor (a "*Transferee*") without the consent of Landlord; provided that, such Transferee agrees in writing to assume all of Tenant's obligations under the Lease after the date of transfer, and such Transferee provides a personal guaranty of any remaining guaranteed obligations under the Lease from a guarantor who has equal or greater net worth than Tenant's guarantor as of the date of transfer; and such Transferee has a net worth equal to or greater than Tenant as of date of such Tenant, in which case, Franchisor shall accrue no liability under the Lease.
8. **Default Under Franchise Agreement.** Landlord and Tenant acknowledge that any default or breach under the Lease that is not cured by Tenant within any applicable cure period also constitutes grounds for termination of the Franchise Agreement.
9. **Amendment.** Landlord and Tenant will not cancel, terminate, modify or amend the Lease including, without limitation, Franchisor's rights under this Addendum, without Franchisor's prior written consent.
10. **Benefits and Successors.** The benefits of this Addendum inure to Franchisor and its successors and assigns.
11. **Remaining Provisions Unaffected.** Those parts of the Lease that are not expressly modified by this Addendum remain in full force and effect.
12. **Limitation of Franchisor's Rights.** The rights for Franchisor under this Franchise Addendum shall be subject to and limited to the express terms of the Franchise Agreement.

*[the balance of the page is intentionally left blank; the next page is the signature page]*

Intending to be legally bound, Landlord, Tenant and Franchisor have caused this Franchise Addendum to Lease Agreement to be duly executed, effective on the Effective Date, regardless of the actual date of signature.

**Tenant:**

By: \_\_\_\_\_  
Name:  
Title:

**Landlord:**

By: \_\_\_\_\_  
Name:  
Title:

**Franchisor:**

Phenix Salon Suites Franchising, LLC

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & CEO

## Exhibit E to Franchise Agreement

### FRANCHISEE REPRESENTATIONS ACKNOWLEDGMENT

**The Franchisee Representations Acknowledgement is not applicable in the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin**

**Important Instructions:** Read this document carefully and do not sign it if it contains anything you think may be untrue. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, Phenix Salon Suites Franchising, LLC ("*Franchisor*") may take actions in reliance on the truth of what it says.

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.

Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has conducted an independent investigation of Franchisor, the System (as that term is used in Franchisor's Franchise Agreement), the risks, burdens and nature of the business the franchisee ("*Franchisee*") will conduct (the "*Business*") under the Franchise Agreement that Franchisee is entering into with Franchisor (the "*Franchise Agreement*").

2. Each of the undersigned understands that the Business involves risk and that any success or failure will be substantially influenced by the ability and efforts of Franchisee and/or its principals.

3. Each of the undersigned understands that Franchisor has previously entered into franchise agreements with provisions different from the provisions of the Franchise Agreement and can enter into franchise agreements in the future with provisions different from the provisions of the Franchise Agreement; and Franchisee will have no objection or claim against Franchisor relating to its agreements with others.

4. Franchisee has received a copy of the Franchise Agreement and all related documents with all blanks filled in (except for blanks concerning the effective date of the Franchise Agreement) at least 7 business days before executing them and has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning those documents.

5. Franchisee has received a franchise disclosure statement as required by law at least 14 days before signing the Franchise Agreement, this acknowledgement or any related document or paying any funds to Franchisor and has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning the disclosure statement.

6. Franchisor has made no representation, warranty, promise, guaranty, prediction, projection or other statement or information as to the future, past, likely or possible income, expenses, sales volume, profitability or success, expected or otherwise, of the Business.

7. Each of the undersigned understands that:



7.1 Franchisor does not authorize its employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection or other statement or information concerning actual or potential income, expenses, sales volume, profitability or prospects or chances of success of the Business.

7.2 Actual results vary from territory to territory and from time period to time period, and Franchisor cannot estimate, project or predict the results of any particular Business.

7.3 Franchisor has specifically instructed its employees that they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection or other statement or give other information as to income, expenses, sales volume, profitability or prospects or chances of success, either generally or with respect to any particular Business.

7.4 If any unauthorized representation, warranty, promise, guaranty, prediction, projection, other statement or information is made or given, the undersigned should not (and will not) rely on it.

8. Before signing the Franchise Agreement, and any related documents, the undersigned has/have had ample opportunity: (A) to discuss the Franchise Agreement, any related documents and the Business with his, her and/or its own attorneys, accountants and other advisors; (B) to contact Franchisor's existing franchisees; and (C) to investigate all statements and information made or given by Franchisor, its employees and agents relating to the System or the Business.

9. Each of the undersigned understands that the Franchise Agreement licenses certain rights specified in the Franchise Agreement, and that no "exclusive," "expansion," "protected," "non-encroachable" or other territorial rights, rights of first refusal or rights of any other kind are granted or have been promised concerning any other geographical territory, except as expressly set forth in the Franchise Agreement.

10. Each of the undersigned understands that the Franchise Agreement (including any addenda and exhibits) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous oral or written agreements, statements or understandings of Franchisor, the undersigned and Franchisee.

11. Each of the undersigned understands that nothing stated or promised by Franchisor which is not specifically as shown in the Franchise Agreement can be relied upon by the undersigned or Franchisee.

12. If Franchisee is an individual or individuals, such individual or individuals are residents of the State of \_\_\_\_; if Franchisee is an entity, Franchisee was formed upon the laws of the State of \_\_\_\_ and Franchisee's principal place of business is located in that state.

13. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or Franchisee. Each of them has other considerable skills, abilities, opportunities and experience in other matters and of a general nature which enable each of them to derive income which is satisfactory to them from other endeavors.

14. There is no fiduciary or confidential relationship between Franchisor and the undersigned or between Franchisor and Franchisee. Each of the undersigned expects Franchisor to deal, and will act as if Franchisor is dealing, with him or her at arm's length and in Franchisor's best interests.

15. Franchisor has advised the undersigned and Franchisee to consult with his, her or its own advisors on the legal, financial and other aspects of the Franchise Agreement, this document and the Business. Each of the undersigned has either consulted with such advisors or has declined to do so.

16. Neither Franchisor nor any employee has provided the undersigned or Franchisee with services or advice, which are legal, accounting or other professional services, or advice.

17. The statements made in this document supplement and are cumulative to statements, warranties and representations made in other documents, such as the Franchise Agreement. The statements made in this document and the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other. The acknowledgements made in this Exhibit are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under applicable state law.

Undersigned:

---

Date:

**Name**

---

**Title**

## **Exhibit F to Franchise Agreement**

### **PUBLICITY WAIVER AND RELEASE**

PHENIX SALON SUITES FRANCHISING, LLC, a Colorado limited liability company (the "Company"), desires to use and publicize the name, likeness, and other personal characteristics and private information of the individual named below with a residence at the address set out below ("I" or "me") for advertising, promotion, and other commercial and business purposes. In exchange for good and valuable consideration, the receipt and sufficiency of which I hereby acknowledge, I give Company my permission for such use and publicity for such purposes, according to the terms and conditions set forth in this Publicity Waiver and Release ("Agreement").

I hereby irrevocably permit, authorize, grant, and license Company and its affiliates, successors, and assigns, [and their respective licensees, advertising agencies, promotion agencies, and fulfillment agencies,] and the employees, officers, directors, and agents of each and all of them ("Authorized Persons"), the rights to display, publicly perform, exhibit, transmit, broadcast, reproduce, record, photograph, digitize, modify, alter, edit, adapt, create derivative works, exploit, sell, rent, license, otherwise use, and permit others to use my name, image, likeness and all materials created by or on behalf of Company that incorporate any of the foregoing ("Materials") in perpetuity throughout the universe in any medium or format whatsoever now existing or hereafter created without further consent from or royalty, payment, or other compensation to me.

Company shall be the exclusive owner of all rights, including copyright, in the Materials. I hereby irrevocably transfer, assign, and otherwise convey to Company my entire right, title, and interest, if any, in and to the Materials and all copyrights and other intellectual property rights in the Materials arising in any jurisdiction throughout the universe in perpetuity, including all registration, renewal, and reversion rights, and the right to sue to enforce such copyrights against infringers. I acknowledge and agree that I have no right to review or approve Materials before they are used by Company, and that Company has no liability to me for any editing or alteration of the Materials or for any distortion or other effects resulting from Company's editing, alteration, or use of the Materials, or Company's presentation of me. Any credit or other acknowledgment of me, if any, shall be determined by Company in Company's sole discretion. Company has no obligation to create or use the Materials or to exercise any rights given by this Agreement.

To the fullest extent permitted by applicable law, I hereby irrevocably waive all legal and equitable rights relating to all liabilities, claims, demands, actions, suits, damages, and expenses, including but not limited to claims for copyright or trademark infringement, infringement of moral rights, libel, defamation, invasion of any rights of privacy (including intrusion, false light, public disclosure of private facts, and misappropriation of name or likeness), violation of rights of publicity, physical or emotional injury or distress, or any similar claim or cause of action in tort, contract, or any other legal theory, now known or hereafter known in any jurisdiction throughout the world (collectively, "Claims"), arising directly or indirectly from the Authorized Persons' exercise of their rights under this Agreement or the production, exhibition, exploitation, advertising, promotion, or other use of the Materials, and whether resulting in whole or in part from the negligence of Company or any other person, and I hereby covenant not to make or bring any such Claim against any Authorized Persons and forever release and discharge the Authorized Persons from liability under such Claims. I understand that Company is relying on this Agreement and will incur significant expense in reliance on this Agreement, and I agree that this Agreement cannot be terminated, rescinded, or modified, in whole or in part.

I represent and warrant to Company that I have full right, power, and authority to enter into this Agreement and grant the rights granted hereunder. I further represent and warrant to Company that I will

provide only true and correct statements and other information in connection with this Agreement, and the Authorized Persons' use of the Materials and the rights and license granted hereunder do not, and will not, violate any right (including without limitation copyright, trademark, trade secret, right to privacy, or right of publicity) of, or conflict with or violate any contract with or commitment made to, any person or entity, and that no consent or authorization from, or any payment to, any third party is required in connection herewith. [ agree to defend, indemnify, and hold harmless the Authorized Persons from and against all Claims by third parties resulting from my breach or alleged breach of this Agreement or any of the foregoing representations and warranties.

This Agreement constitutes the sole and entire agreement of the parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter. I have not relied on any statement, representation, warranty, or agreement of Company or of any other person on Company's behalf, including any representations, warranties, or agreements arising from statute or otherwise in law, except for the representations, warranties, or agreements expressly contained in this Agreement. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability will not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Company may assign this Agreement and its rights hereunder, in whole or in part, to any party. This Agreement is binding on and inures to my benefit and the benefit of Company and our respective heirs, executors, administrators, legal representatives, successors, and permitted assigns. All matters arising out of or relating to this Agreement shall be governed by and construed in accordance with the internal laws of the State of Colorado without giving effect to any choice or conflict of law provision or rule (whether of the State of Colorado or any other jurisdiction). Any claim or cause of action arising under this Agreement may be brought only in the federal and state courts located in El Paso County, Colorado, and I hereby irrevocably consent to the exclusive jurisdiction of such courts.

This Agreement does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder. This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**THIS AGREEMENT PROVIDES COMPANY WITH YOUR ABSOLUTE AND UNCONDITIONAL CONSENT, WAIVER, AND RELEASE OF LIABILITY, ALLOWING COMPANY TO PUBLICIZE AND COMMERCIALY EXPLOIT YOUR NAME, LIKENESS, AND OTHER PERSONAL CHARACTERISTICS AND PRIVATE INFORMATION AS SET OUT ABOVE. BY SIGNING, YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD ALL OF THE TERMS OF THIS AGREEMENT AND THAT YOU ARE GIVING UP SUBSTANTIAL LEGAL RIGHTS, INCLUDING THE RIGHT TO SUE COMPANY.**

Signed:

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

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

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

**Exhibit G**

**SITE SELECTION ADDENDUM**

The address of the Approved Location is: \_\_\_\_\_

The Protected Territory, calculated in accordance with Section VI.C, is a \_\_\_-mile radius around the Approved Location.

For the purpose of calculating the Royalty, the National Brand Fee, and any other fees calculated on the basis of square footage, the Approved Location consists of \_\_\_\_\_ square feet.

As partial consideration for Franchisor’s review and approval of the Approved Location, Franchisee, each on behalf of himself/herself/itself, and as applicable, each of its present and past affiliates and his/her/its present and past owners, investors, guarantors, shareholders, members, directors, officers, employees, contractors, agents, and legal representatives, and the predecessors, successors, heirs, executors, administrators, and assigns of the foregoing in their corporate and individual capacities (collectively, “*Releasors*”), freely and without any influence, forever release and covenant not to sue Franchisor, and its past, present, and future direct or indirect parent organizations, subsidiaries, divisions, affiliated entities and its and their shareholders, contractors, agents, legal representatives, owners, members, partners, officers, directors, trustees, administrators, fiduciaries, employment benefit plans and/or pension plans or funds, executors, attorneys, employees, insurers, reinsurers, and/or agents and their successors and assigns, individually and in their official capacities (collectively, “*Releasees*”), from any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively “*Claims*”), that any Releasor now owns, has or claims to have or holds, or may in the future own or hold, or at any prior time owned, held, had or claimed to have, based on, arising out of or relating to, in whole or in part any fact, event, conduct or omission occurring on or before the date of the Franchise Agreement, including, without limitation, Claims arising under federal, state and local laws, rules and ordinances, Claims for contribution, indemnity and/or subrogation and Claims arising out of or relating to the Franchise Agreement and/or any or any other agreement between any Releasee and any Releasor (“*Related Agreement*”), the sale of franchises by any Releasee to any Releasor, the development and operation of a Franchised Business by any Releasor and/or Releasees’ performance of their obligations under the Franchise Agreement and/or any Related Agreement.

Franchisee, on behalf of Releasors also expressly agrees that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived and acknowledge that they have been made aware of, and understand, the provisions of California Civil Code Section 1542 (“*Section 1542*”), which provides: “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.” The foregoing 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.

**PHENIX SALON SUITES FRANCHISING, FRANCHISEE:  
LLC**

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & Chief Executive Officer

\_\_\_\_\_  
\*  
By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT C**  
**DEVELOPMENT AGREEMENT**

**DEVELOPMENT AGREEMENT**

**BETWEEN**

**PHENIX SALON SUITES FRANCHISING, LLC**

**AND**

**DATED:**

## TABLE OF CONTENTS

	<b>Page</b>
ARTICLE I	GRANT OF DEVELOPMENT RIGHTS..... 1
ARTICLE II	DEVELOPMENT OBLIGATIONS ..... 1
ARTICLE III	TERM ..... 2
ARTICLE IV	CONSIDERATION ..... 2
ARTICLE V	OTHER DUTIES AND OBLIGATIONS OF DEVELOPER ..... 2
ARTICLE VI	RESTRICTIVE COVENANTS..... 3
ARTICLE VII	TRANSFER ..... 3
ARTICLE VIII	DEFAULT ..... 5
ARTICLE IX	NOTICES..... 6
ARTICLE X	APPROVALS AND WAIVERS ..... 6
ARTICLE XI	CONSTRUCTION OF AGREEMENT ..... 7
ARTICLE XII	APPLICABLE LAW; WAIVER OF RIGHT TO JURY TRIAL; ARBITRATION; LIMITATION OF ACTIONS ..... 7
ARTICLE XIII	ENTIRE AGREEMENT..... 8
ARTICLE XIV	ACKNOWLEDGEMENTS AND REPRESENTATIONS ..... 8

### **Attachments**

ATTACHMENT A	DEVELOPMENT AREA/ DEVELOPMENT PERIOD/ DEVELOPMENT SCHEDULE/ DEVELOPMENT FEE
ATTACHMENT B	FRANCHISE AGREEMENT
ATTACHMENT C	PERSONAL ASSUMPTION OF OBLIGATIONS
ATTACHMENT D	DEVELOPER REPRESENTATIONS ACKNOWLEDGMENT



## DEVELOPMENT AGREEMENT

This DEVELOPMENT AGREEMENT (this “*Agreement*”) made as of \_\_\_\_\_ (the “*Effective Date*”), by PHENIX SALON SUITES FRANCHISING, LLC, a Colorado limited liability company (“*Franchisor*” or the “*Company*”), and \_\_\_\_\_ (“*Developer*”).

### PURPOSE

To grant to Developer the right to develop PHENIX SALON SUITES Businesses within the development area described herein.

### AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties agree as follows:

#### ARTICLE I GRANT OF DEVELOPMENT RIGHTS

A. The Company hereby grants to Developer, upon the terms and conditions herein contained, the non-exclusive, non-transferable right and privilege to develop the number of PHENIX SALON SUITES businesses (each, a “*Business*”) specified in Attachment A attached hereto (the “*Development Locations*”), at locations approved by Franchisor within the area described in Attachment A (the “*Development Area*”), subject to availability, during the development period (the “*Development Period*”) and in accordance with the development schedule (the “*Development Schedule*”) set forth in Attachment A, and Developer hereby undertakes the obligation to do so, in accordance with under and subject to the provisions of this Agreement.

B. Each PHENIX SALON SUITES Business shall be established and operated pursuant to a separate franchise agreement. You are required to sign the franchise agreement for the first location in the form attached hereto as Attachment B (the “*Franchise Agreement*”), between the Company and Developer or a legal entity formed and owned by Developer, in accordance with the provisions of this Agreement. For each subsequent Business developed under this Agreement, Developer must execute the Company's then-current standard franchise agreement then being offered to new franchisees and such other ancillary agreements as the Company may require for the Business.

C. If the Company has granted, or grants, the non-exclusive right to develop PHENIX SALON SUITES Businesses within the Development Area to any other party(ies), the territorial rights with respect to any specific location will be granted to the first party to enter into a Franchise Agreement with the Company and a lease for a PHENIX SALON SUITES Business at such location.

#### ARTICLE II DEVELOPMENT OBLIGATIONS

A. Developer shall exercise its development rights hereunder by executing and delivering a Franchise Agreement for each Development Location to the Company and establishing and operating a PHENIX SALON SUITES Business at such location in accordance with the provisions hereof and thereof.

B. Before Developer submits a letter of intent or executes a lease for a Development Location (“Lease”), Developer will notify the Company and confirm the availability of the location. Within five (5) business days following the execution of a Lease, Developer will provide a fully executed copy of the Lease to the Company, together with a fully executed copy of a Franchise Addendum to Lease in the form required by the Franchise Agreement and execute and deliver a Franchise Agreement for the location to the Company.

C. In exercising its development rights hereunder, Developer shall comply with all policies and procedures established by the Company.

### **ARTICLE III TERM**

The Development Period shall commence on the Effective Date. Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement and all rights granted hereunder shall automatically terminate, without notice, at the earlier of (a) the date Developer has exercised all of the development rights granted to Developer hereunder, (b) the expiration of the Development Period, or (c) the termination of the Development Agreement and/or the termination of any Franchise Agreement executed by the parties hereunder, whereupon all rights of Developer hereunder shall cease and terminate; provided, however, that the termination of this Agreement shall not affect Developer’s obligations under Article VI hereunder, which shall survive termination and expiration, or the rights of Developer or its assigns pursuant to any Franchise Agreement executed by the parties hereunder prior to termination.

### **ARTICLE IV CONSIDERATION**

In consideration for the development rights granted by the Company to Developer hereunder, Developer shall, upon the execution of this Agreement, pay the Company a development fee in the amount set forth in Attachment A (the “*Development Fee*”), representing the initial franchise fee payable under the Franchise Agreement for each Development Location. The Development Fee shall be deemed to be fully earned upon the execution of this Agreement and is not refundable under any circumstances.

### **ARTICLE V OTHER DUTIES AND OBLIGATIONS OF DEVELOPER**

A. Developer shall comply with the following requirements throughout the term of this Agreement:

1. Developer shall furnish the Company with copies of its Certificate of Formation, Articles of Incorporation or other governing documents and any other documents the Company may reasonably request, together with any amendments thereto.

2. Developer shall maintain a current list of all owners of record and all beneficial owners of Developer and shall furnish the list to the Company upon request.

B. Developer shall provide to the Company Developer’s complete unaudited annual financial statements prepared by an independent certified public accountant, at the Company’s request, from time to time, during the term of this Agreement.

C. Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

## **ARTICLE VI RESTRICTIVE COVENANTS**

A. During the Development Period and for a period of two (2) years thereafter, Developer shall not, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, operate, engage in, or have any interest in any competitive business anywhere, except as otherwise approved in writing by PHENIX SALON SUITES. For purposes of this Agreement, "Competitive Business" means any business that derives more than five (5%) percent of its revenue from leasing, renting or licensing professional salon space, or any business granting franchises or licenses to others to operate such a business. Developer acknowledges that any failure to comply with the requirements of this Section VI.A. will cause the Company irreparable injury for which no adequate remedy at law may be available, and Developer hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Developer in violation of the terms of this Section VI.A. and waives any requirement for the posting of any bond relating thereto. The Company may also avail itself of any legal or equitable rights and remedies that it may have under this Agreement or at law. Developer expressly agrees that the existence of any claim it may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Company of the covenants of this Section VI.A. Developer shall not have the right to set off any claims against the Company amounts payable to the Company hereunder.

B. Each owner (or equitable owner) of an interest in Developer shall personally assume the covenants contained in Section VI.A, by executing an Assumption of Obligations in the form attached hereto as Exhibit C.

C. In the event the Company is required to take any action or institute any proceeding to enforce its rights under this Agreement or it is required to defend itself against any action or proceeding filed by Developer, Developer agrees to reimburse the Company for the reasonable attorney's fees and costs incurred by the Company in connection therewith, upon demand, if the Company is the prevailing party.

D. The obligations of Developer and each owner (or equitable owner) of an interest in Developer under this Article VI shall survive the termination or expiration of this Agreement.

## **ARTICLE VII TRANSFER**

A. The Company shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity.

B. Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and are granted in reliance on the business skill, financial capacity, and personal character of Developer's owners. Accordingly, neither Developer nor any immediate or remote successor to any part of Developer's interest in this Agreement or in Developer, nor any individual, partnership, corporation, or other legal entity, which directly or indirectly owns any interest in this Agreement or in Developer, shall sell, assign, transfer, convey, or give away any interest in the development rights granted by this Agreement or a controlling interest in Developer to a third party without the prior

written consent of the Company, which shall not be unreasonably withheld; provided, however, that the Company's prior written consent shall not be required for a transfer to an entity owned or controlled by Developer or a transfer of less than a five percent (5%) interest in a publicly-held corporation. Any purported assignment or transfer, by operation of law or otherwise, not having the prior written consent of the Company, shall be null and void and shall constitute a material breach of this Agreement, for which the Company may then terminate without opportunity to cure pursuant to Section VIII.C. of this Agreement.

C. In granting its consent to an assignment or transfer pursuant to Section VII.B, FRANCHISOR may impose reasonable conditions, including, without limitation, the following:

1. DEVELOPER must be in full compliance with the terms of this Agreement;

2. The proposed assignee or transferee (or its partners, managers, directors, officers, or controlling shareholders, if it is a limited liability company, corporation or partnership) must meet the then-applicable standards of FRANCHISOR for a new DEVELOPER;

3. The proposed assignee or transferee must not operate a Competitive Business (as defined herein) or intend to conduct a Competitive Business;

4. The terms of the transfer or sale must be approved by FRANCHISOR in writing, which approval shall not be unreasonably withheld;

5. Except in the case of a transfer to a family member of DEVELOPER or an entity owned by DEVELOPER, DEVELOPER or the assignee or transferee must pay FRANCHISOR a transfer fee in an amount equal to Fifty Percent (50%) of the then current standard initial franchise fee charged by FRANCHISOR for the purchase of a franchise;

6. Subject to the requirements of applicable state law, DEVELOPER and its owners must execute a mutual general release, in a form satisfactory to FRANCHISOR, as a condition to its approval of assignment or other transfer of the Business, whereby each party releases the other from any and all claims against the other, and its officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

7. The proposed assignee or transferee must demonstrate to FRANCHISOR satisfaction that it meets FRANCHISOR's educational, managerial, and business standards, possesses a good moral character, business reputation, and credit rating has the aptitude and ability to conduct the Businesses to be developed (as may be evidenced by prior related business experience or otherwise) and has adequate financial resources and capital to exercise its development rights and operate the Businesses to be developed; and

8. The proposed assignee or transferee (and, if the assignee or transferee is other than an individual, such principals and/or owners of a beneficial interest in the assignee as FRANCHISOR may request) must execute the standard development agreement then being offered to new System Developers and such other ancillary agreements as FRANCHISOR may require, which agreements shall supersede this Agreement in all respects and the terms of which agreements may materially differ from the terms of this Agreement.

D. Upon the death or mental incapacity of Developer (if Developer is an individual) or a principal of Developer (if Developer is other than an individual), the executor, administrator, or personal representative of such person shall transfer his interest within six (6) months after such death or mental incapacity to a third party approved by the Company. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section VII, the personal representative of the deceased person shall have a reasonable time to dispose of the deceased's interest, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, the Company may terminate this Agreement.

E. The Company's consent to a transfer of any interest in this Agreement or in Developer shall not constitute a waiver of any claims the Company may have against the transferring party, nor shall it be deemed a waiver of the Company's right to demand exact compliance with any of the terms of this Agreement by the transferee.

## ARTICLE VIII DEFAULT

A. The rights granted to Developer in this Agreement have been granted in reliance on Developer's representations and assurances, among others, that all of the obligations and conditions set forth herein will be met by Developer in a timely manner.

B. Developer shall be deemed in default under this Agreement, and all rights granted herein shall automatically terminate, without notice to Developer, if Developer (if Developer is an individual) or a principal of Developer (if Developer is other than an individual) shall become insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Developer or such a petition is filed against and not opposed by Developer, or if Developer is adjudicated a bankrupt, or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; if a receiver or other custodian (permanent or temporary) of Developer's assets or property or any part thereof is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; if a final judgment against Developer remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if Developer is dissolved; if execution is levied against Developer's business or assets; if suit to foreclose any lien or mortgage against the premises or equipment of Developer is instituted and not dismissed within thirty (30) days; or if Developer fails to comply with its development obligations hereunder.

C. If Developer makes or attempts to make a transfer or assignment in violation of Section VII.B. hereof, such action shall constitute a default under this Agreement. Upon such default, the Company, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon receipt by Developer of written notice.

D. The breach is not reasonably susceptible to a cure. Upon termination of this Agreement, Developer shall have no further rights hereunder and shall forfeit the consideration paid by Developer pursuant to this Agreement.

E. Any material default under any Franchise Agreement or any other written agreement between Developer (or a beneficial owner of Developer or its affiliate) and the Company (or the Company's affiliates) shall also constitute a material default under this Agreement; however, no default under this Development Agreement shall constitute a default under any Franchise Agreement executed by the parties hereunder.

## **ARTICLE IX NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by certified mail or by other means which affords the sender evidence of delivery, or of attempted delivery, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to the Company:

Phenix Salon Suites Franchising, LLC  
514 Via De La Valle, Suite 203  
Solana Beach, CA 92075  
Attention: Brian Kelley, President & Chief Operating Officer

Notices to Developer:

Any notice by a means which affords the sender evidence of delivery, or attempted delivery, shall be deemed to have been given at the date and time of delivery or attempted delivery.

## **ARTICLE X APPROVALS AND WAIVERS**

No delay, waiver, omission, or forbearance on the part of the Company to exercise any right, option, duty, or power arising out of any breach or default by Developer, or by any other developer, of any of the terms, provisions, or covenants hereof, shall constitute a waiver by the Company of its right to enforce any such right, option, or power as against Developer, or as to any subsequent breach or default by Developer. Subsequent acceptance by the Company of any payments due to it hereunder shall not be deemed to be a waiver by the Company of any preceding breach by Developer of any terms, covenants, or conditions of this Agreement.

## **ARTICLE XI CONSTRUCTION OF AGREEMENT**

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than the Company or Developer, and such of their respective successors and assigns as may be contemplated by Section VII hereof, any rights or

remedies under, or by any reason of, this Agreement. This Agreement shall not be construed against either party.

**ARTICLE XII**  
**APPLICABLE LAW; WAIVER OF RIGHT TO JURY TRIAL;**  
**ARBITRATION; LIMITATION OF ACTIONS**

A. This Agreement shall take effect upon its acceptance and execution by the Company and shall be interpreted and construed under the laws of the State of Colorado, which laws shall prevail in the event of any conflict of law.

B. The parties hereby waive any right to jury trial that they may have in any action arising out of or under this Agreement that is brought by either party against the other in any court, whether federal or state. Any such action by Developer against the Company shall be brought in Colorado, the state of the Company's formation, and venue shall lie exclusively in El Paso County, Colorado. Developer hereby waives all questions of jurisdiction or venue for the purposes of carrying out this provision.

C. The parties further agree that no cause of action arising out of or under this Agreement may be maintained by either party hereto against the other unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after such party becomes aware of facts or circumstances reasonably indicating that such party may have a claim against the other party hereunder, whichever period of time shall first expire, and that any action not so brought shall be barred, whether as a claim, counterclaim, defense or setoff.

D. No right or remedy conferred upon or reserved to the Company or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

E. All disputes and claims relating to any provision hereof, or the breach hereof, shall be resolved by mandatory binding arbitration by a single arbitrator in El Paso County, Colorado, in accordance with the U.S. Arbitration Act under the auspices of the American Arbitration Association (in accordance with the rules of commercial arbitration), provided that, at the option of the Company or Developer, the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association (if obtainable, or otherwise in accordance with the customary procedures for selecting an arbitrator). The arbitrator shall allow discovery in accordance with the Federal Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and shall have the right to award or include in the award the specific performance of this Agreement and/or the legal fees and costs incurred by the Company, if it is the substantially prevailing party. Judgment upon the award of the arbitrator may be entered in any court having competent jurisdiction thereof or of the Company or Developer. During the pendency of any arbitration proceeding hereunder, Developer and the Company shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement.

F. Nothing herein contained shall bar either party's right to obtain injunctive relief against threatened conduct by the other party that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

**ARTICLE XIII  
ENTIRE AGREEMENT**

This Agreement, the documents referred to herein, and the attachments hereto, constitute the entire, full, and complete agreement between the Company and Developer concerning the subject matter hereof and supersede any and all prior agreements. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Regardless of anything contained herein to the contrary, nothing contained in this Agreement or any related agreement is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchise 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.

**ARTICLE XIV  
ACKNOWLEDGEMENTS AND REPRESENTATIONS**

A. Developer acknowledges that it has conducted an independent investigation of the Franchised Business and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Developer as an independent businessman. The Company expressly disclaims the making of, and Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

B. Developer acknowledges that Developer received a complete copy of this Agreement, the attachments thereto, and the agreements relating thereto, at least seven (7) days prior to the date on which this Agreement was executed, and that it received a copy of the Company's Franchise Disclosure Document at least fourteen (14) days prior to the date on which this Agreement was executed.

C. Developer acknowledges that it has read and understands this Agreement, the attachments hereto, and agreements relating thereto, if any; and that the Company has accorded Developer ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

D. Developer warrants and represents that Developer possesses the financial capacity and managerial experience to exercise all of the development rights granted hereunder.



IN WITNESS WHEREOF, the parties hereto have fully executed, sealed, and delivered this Agreement on the day and year first above written.

**PHENIX SALON SUITES FRANCHISING, LLC**

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & Chief Operating Officer

**DEVELOPER:**

\_\_\_\_\_

**ATTACHMENT A TO DEVELOPMENT AGREEMENT**

Development Area:

Number of Development  
Locations:

Development Period:

Development Schedule:

Development Fee:

**PHENIX SALON SUITES FRANCHISING, LLC**

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & Chief Operating Officer

**DEVELOPER:**

\_\_\_\_\_

**ATTACHMENT B TO DEVELOPMENT AGREEMENT**

**FRANCHISE AGREEMENT**

[the form of Franchise Agreement to be entered into  
by the parties for the first Development Location is attached hereto]

**ATTACHMENT C TO DEVELOPMENT AGREEMENT**

**ASSUMPTION OF OBLIGATIONS**

FOR VALUE RECEIVED, the receipt and sufficiency of which is hereby acknowledged, and to induce PHENIX SALON SUITES FRANCHISING, LLC dba "Phenix Salon Suites" ("*PHENIX SALON SUITES*") to enter into the attached Development Agreement (the "*Development Agreement*"), each of the undersigned hereby assumes and agrees to be personally bound by all of the terms and provisions of Sections VI.A and XII of the Development Agreement.

In the event that PHENIX SALON SUITES is required to commence any legal action to enforce its rights hereunder, each of the undersigned jointly and severally agrees to reimburse PHENIX SALON SUITES for the reasonable attorney's fees and costs incurred PHENIX SALON SUITES upon demand.

In the event the undersigned disputes the reasonableness of the attorney's fees payable by the undersigned hereunder and the dispute cannot be resolved by the parties, the undersigned shall have the right to submit the dispute to arbitration in accordance with the provisions of Section XII.E. of the Franchise Agreement.

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

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

**[MUST BE SIGNED BY ALL OWNERS/MEMBERS AND THEIR SPOUSES  
UPON EXECUTION OF THE DEVELOPMENT AGREEMENT]**

## Attachment D to Development Agreement

### DEVELOPER REPRESENTATIONS ACKNOWLEDGMENT

**The Developer Representations Acknowledgement is not applicable in the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin**

**Important Instructions:** Read this document carefully and do not sign it if it contains anything you think may be untrue. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, Phenix Salon Suites Franchising, LLC (“*Franchisor*”) may take actions in reliance on the truth of what it says.

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.

Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has conducted an independent investigation of Franchisor, its System (as that term is used in Franchisor’s Franchise Agreement and franchise disclosure document), the risks, burdens and nature of the business Franchisee/Developer will conduct under the Development/Franchise Agreement that Franchisee/Developer enters into with Franchisor (the “*Development/Franchise Agreement*”), the Territory/Development Area specified in the Development/Franchise Agreement (the “*Territory/Development Area*”) and the market area of the Territory/Development Area.

2. Each of the undersigned understands that the business Franchisee/Developer will conduct under the Development/Franchise Agreement involves risk and that any success or failure will be substantially influenced by the ability and efforts of the Franchisee/Developer and its principals.

3. Each of the undersigned understands that Franchisor has previously entered into development or franchise agreements with provisions different from the provisions of the Development/Franchise Agreement for the Territory/Development Area and can enter into development or franchise agreements in the future with provisions different from the provisions of the Development/Franchise Agreement; and Franchisee/Developer will have no objection or claim against Franchisor relating to its agreements with others.

4. Franchisee/Developer has received a copy of the Development/Franchise Agreement for the Territory/Development Area and all related documents with all blanks filled in (except for blanks concerning the effective date of the Development/Franchise Agreement) at least 7 days before executing them and has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning those documents.

5. Franchisee/Developer has received a disclosure statement as required by law at least 14 days before signing the Development/Franchise Agreement, this affidavit or any related document or paying any funds to Franchisor and has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning the disclosure statement.

6. Franchisor has made no representation, warranty, promise, guaranty, prediction, projection or other statement or information as to the future, past, likely or possible income, expenses, sales volume, profitability or success, expected or otherwise, of the Territory/Development Area, any other territory or any business in general.

7. Each of the undersigned understands that:

7.1 Franchisor does not authorize its employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection or other statement or information concerning actual or potential income, expenses, sales volume, profitability or prospects or chances of success, either generally or of any Territory/Development Area.

7.2 Actual results vary from territory to territory and from time period to time period, and Franchisor cannot estimate, project or predict the results of any particular Territory/Development Area.

7.3 Franchisor has specifically instructed its employees that they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection or other statement or give other information as to income, expenses, sales volume, profitability or prospects or chances of success, either generally or with respect to any particular Territory/Development Area.

7.4 If any unauthorized representation, warranty, promise, guaranty, prediction, projection, other statement or information is made or given, the undersigned should not (and will not) rely on it.

8. Before signing the Development/Franchise Agreement, and any related documents, the undersigned has/have had ample opportunity: (A) to discuss the Development/Franchise Agreement, any related documents, the Territory/Development Area and the business Franchisee/Developer will conduct under the Development/Franchise Agreement with his, her and/or its own attorneys, accountants and other advisors; (B) to contact Franchisor's existing franchisees and developers; and (C) to investigate all statements and information made or given by Franchisor, its employees and agents relating to the System, the Territory/Development Area and any other subject.

9. Each of the undersigned understands that the Area Development/Franchise Agreement licenses certain rights for the Territory/Development Area, specified in the Development/Franchise Agreement, and that no "exclusive," "expansion," "protected," "non-encroachable" or other territorial rights, rights of first refusal or rights of any other kind are granted or have been promised concerning any other geographical territory.

10. Each of the undersigned understands that the Development/Franchise Agreement (including any riders and exhibits) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous oral or written agreements, statements or understandings of Franchisor, the undersigned and the Franchisee/Developer.

11. Each of the undersigned understands that nothing stated or promised by Franchisor which is not specifically as shown in the Development/Franchise Agreement, can be relied upon by the undersigned or the Franchisee/Developer.

12. Franchisee/Developer is a resident of the State of \_\_\_\_\_.

13. The covenants and restrictions concerning competition contained in the Development/Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or the Franchisee/Developer. Each of them has other considerable skills, abilities, opportunities and experience in other matters and of a general nature which enable each of them to derive income which is satisfactory to them from other endeavors. Each of the undersigned understands that each of them has agreed to maintain their other skills and abilities throughout the term of the Development/Franchise Agreement so that they will maintain their ability to derive a satisfactory income from other endeavors.

14. There is no fiduciary or confidential relationship between Franchisor and the undersigned or between Franchisor and Franchisee/Developer. Each of the undersigned expects Franchisor to deal, and will act as if Franchisor is dealing, with him or her at arm's length and in Franchisor's best interests.

15. Franchisor has advised the undersigned and the Franchisee/Developer to consult with his, her and/or its own advisors on the legal, financial and other aspects of the Development/Franchise Agreement, this document, the Territory/Development Area and the business contemplated. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

16. Neither Franchisor nor any employee has provided the undersigned or the Franchisee/Developer with services or advice, which are legal, accounting or other professional services, or advice.

17. The statements made in this document supplement and are cumulative to statements, warranties and representations made in other documents, such as the Development/Franchise Agreement. The statements made in this document and the Development/Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other. The acknowledgements made in this Exhibit are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under applicable state law.

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

Title:

Date:

**EXHIBIT D**  
**FINANCIAL STATEMENTS**



**Phenix Salon Suites Franchising, LLC**  
(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)

**FINANCIAL STATEMENTS**

As of December 31, 2022 and 2021 and for the Years Then Ended

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Financial Statements**

**Contents**

Independent Auditors' Report.....	1-2
Financial Statements:	
Balance Sheets .....	3
Statements of Income.....	4
Statements of Members' Equity.....	5
Statements of Cash Flows .....	6-7
Notes to the Financial Statements.....	8-14



A Professional Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

A Member of the Division for CPA Firms  
American Institute of CPA's

8400 E. PRENTICE AVENUE, SUITE 660  
GREENWOOD VILLAGE, CO 80111  
(303) 813-1380  
FAX (303) 813-1386  
E-MAIL: bma@bmacpa.com

JAMES L. BURDICK, C.P.A.  
KELLIE L. BURDICK, J.D., C.P.A.  
THERESA S. WILLIAMS, C.P.A.  
CINDY J. MCBROOM, C.P.A.  
JEFFREY G. RICHARDSON, C.P.A.

March 31, 2023

## **INDEPENDENT AUDITORS' REPORT**

To the Members of Phenix Salon Suites Franchising LLC  
Encinitas, California

### **Opinion**

We have audited the accompanying financial statements of Phenix Salon Suites Franchising, LLC (a wholly-owned subsidiary of Phenix 1929 Holding, LLC) (the Company), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of income and members' equity, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

*Burdick + Associates, P.C.*

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Balance Sheets**

	December 31,	
	2022	2021
<b>Assets</b>		
Current Assets:		
Cash	\$ 1,231,437	\$ 1,262,201
Accounts Receivable – Trade, net of allowance for bad debts of \$55,386 in 2022 and \$110,771 in 2021	206,604	137,959
Accrued Interest Receivable	97,830	87,854
Note Receivable	--	30,000
Other Receivable	79,200	--
Deferred Franchising Cost	459,224	316,918
Prepaid Expenses	8,837	16,690
Total Current Assets	2,083,132	1,851,622
Other Non-Current Assets:		
Software Costs	423,716	316,916
Notes Receivable, Affiliates	767,800	806,170
Deferred Franchising Cost	798,205	659,507
Total Non-Current Assets	1,989,721	1,782,593
 Total Assets	 \$ 4,072,853	 \$ 3,634,215
<b>Liabilities and Members' Equity</b>		
Current Liabilities:		
Accounts Payable	\$ 116,107	\$ 183,650
Accrued Expenses	22,080	40,253
Credit Card Payable	14,625	1,106
Line of Credit	--	38,370
Deferred Franchising Fee	1,285,480	956,150
Total Current Liabilities	1,438,292	1,219,529
Non-Current Liabilities:		
Deferred Franchising Fee	2,571,962	2,208,241
Total Non-Current Liabilities	2,571,962	2,208,241
 Total Liabilities	 4,010,254	 3,427,770
 Members' Equity	 62,599	 206,445
 Total Liabilities and Members' Equity	 \$ 4,072,853	 \$ 3,634,215

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Income**

	For the Years Ended	
	December 31,	
	2022	2021
Operating Revenues:		
Royalty Fees	\$ 3,577,058	\$ 3,098,273
Franchise Fees	1,192,350	2,260,224
Other Fees	219,609	115,334
Total Revenues	4,989,017	5,473,831
Cost of Sales:		
Franchise Development, Marketing, & Commissions	852,574	1,238,349
Total Cost of Sales	852,574	1,238,349
 Gross Margin	 4,136,443	 4,235,482
Operating Expenses:		
General & Administrative Expenses	2,464,517	1,869,784
(Recoveries) Bad Debts	(14,990)	142,208
Other Expenses	201,492	121,344
National Development Fund (net)	2,978	31,671
Total Operating Expenses	2,653,997	2,165,007
 Net Income from Operations	 1,482,446	 2,070,475
Other Income (Expenses):		
Interest Income	9,976	15,487
PPP Grant	--	61,800
Interest Expense	--	(162)
	9,976	77,125
 Net Income	 \$ 1,492,422	 \$ 2,147,600

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Members' Equity**

	Members' Equity
Balance at December 31, 2020	\$ 524,845
Member Draws	(2,466,000)
Net Income	<u>2,147,600</u>
Balance at December 31, 2021	206,445
Member Draws	(1,636,268)
Net Income	<u>1,492,422</u>
Balance at December 31, 2022	<u><u>\$ 62,599</u></u>

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Cash Flows**

	For the Years Ended	
	December 31,	
	2022	2021
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 1,492,422	\$ 2,147,600
Adjustments to Reconcile Net Income to Net Cash provided by Operating Activities:		
Changes in Assets and Liabilities		
Decrease (Increase) in Assets		
Accounts Receivable	(13,260)	348,839
Allowance for Bad Debts	(55,385)	(131,570)
Deferred Franchising Cost	(281,004)	253,170
Prepaid Expenses	7,853	(5,060)
Other Receivable	(79,200)	--
Accrued Interest Receivable	(9,976)	(15,488)
Decrease in PPP Grant	--	(61,800)
Increase (Decrease) in Liabilities		
Accounts Payable	(67,543)	130,548
Accrued Expenses	(18,173)	(73,668)
Credit Card Payable	13,519	(2,792)
Deferred Franchising Fee - Current	329,330	89,105
Deferred Franchising Fee - Long-Term	363,721	162,196
Net cash provided by Operating Activities	1,682,304	2,841,080
<b>Cash Flows from Investing Activities</b>		
Decrease in Notes Receivable	30,000	--
Decrease (Increase) in Notes and Advances to Affiliates	38,370	(132,685)
Software additions	(106,800)	(120,500)
Net cash used in Investing Activities	(38,430)	(253,185)
<b>Cash Flows from Financing Activities</b>		
Payments made on Line of Credit	(38,370)	(4,815)
Distributions of cash to Members	(1,636,268)	(2,466,000)
Net cash used in Financing Activities	(1,674,638)	(2,470,815)

(Continued on following page)  
The accompanying notes are an integral part of the financial statements.



**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Cash Flows**

(Continued from previous page)

	For the Years Ended December 31,	
	2022	2021
Net (Decrease) Increase in Cash	(30,764)	117,080
Cash - Beginning of Period	1,262,201	1,145,121
Cash - End of Period	\$ 1,231,437	\$ 1,262,201
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	\$ --	\$ 162

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to Financial Statements**

**1. Organization and Nature of Business**

**General Overview**

Phenix Salon Suites Franchising, LLC (a wholly-owned subsidiary of Phenix 1929 Holding, LLC) (the "Company") was organized under the laws of the State of Colorado on February 10, 2010. The Company franchises salon suites, which are designed to lease dedicated space to hair stylists, massage therapists, manicurists and other salon professionals. The Company's principal office is located in Encinitas, California. The Company and its franchises have franchised and operate approximately 331 locations in 33 states and the District of Columbia in the United States of America and one location in the United Kingdom. The Company does not operate any locations.

The Company derives its revenues from one-time franchising fees and recurring franchise royalty and development fees.

**2. Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**Use of Estimates and Assumptions**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Significant estimates include but are not limited to the estimates used in franchise fee revenue recognition, calculating accrued expenses, and collectability of balances due from affiliates. Because of the inherent uncertainties in these estimates, it is at least reasonably possible that the estimates used will change in the near term.

**Concentration of Credit Risks**

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains deposit accounts in one commercial bank, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, deposits were in excess

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

of federally insured limits.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist principally of cash held in commercial bank accounts and money market funds having an original maturity of less than three months at the date of acquisition. All highly liquid investments with a maturity of three months or less as of the acquisition date are considered to be cash equivalents.

### **Software Development Costs**

The Company capitalizes internally developed application development stage software costs in accordance with ASC 350, *Goodwill and Other Intangibles*. Such costs include capitalized payroll and outside contractor costs that are considered costs incurred after the preliminary project stage is completed and when management believes it is probable the project will be completed, and the software will be used to perform the functions intended.

### **Franchise Fees**

On January 1, 2019, the Company adopted ASU 606, *Revenue from Contracts with Customers* which creates a single framework for recognizing revenue from contracts with customers that fall within its scope and revises when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets. The Company's revenues that fall within the scope of ASU 606 are presented as initial fees related to sales of franchises and are ordinarily recognized when all material services or conditions relating to the sales have been substantially performed or satisfied by the franchisor. The Company considers substantially all of their obligations have been performed for a single franchisee when the location has been selected, lease signed, and design specifications provided. The Company has implemented a process to only recognize 40% at this time and defer the remaining 60% until the location opens. The Company has developed a different procedure to recognize revenue for multiple location and area franchises. The Company performs substantial assistance in the first location with a multi-location franchise and little assistance in the development of subsequent locations. The Company has implemented a procedure to recognize franchise fee revenue for multiple location developers at 40% of fee revenue when first location has been selected and lease signed, 30% of fee revenue when first store opened and 30% of fee revenue to be allocated over the remaining number of locations. The franchise agreement specifies that the initial fees are not refundable and defines a time period when the first location must be operating, usually three years from the date of the franchise agreement.

Initial franchise fees collected for 2022 and 2021 totaled \$1,766,025 and \$2,511,525 respectively. Initial franchise fees collected but not earned are recorded as deferred revenue until recognized. The Company had deferred revenue from unearned franchise fees collected

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

of \$3,857,442 and \$3,164,391 at December 31, 2022 and 2021, respectively.

Commissions and direct expenses associated with deferred franchise fees are recorded as deferred expense until the related franchise fee is recognized as revenue and recorded as a deferred expense when the revenue is recognized. The Company had deferred franchising costs of \$1,257,429 and \$976,425 at December 31, 2022 and 2021, respectively.

**Royalty Fees**

Continuing royalty fees are normally based on a flat-rate determined on the size and suites in a store and range from \$449 to approximately \$1,800 per month. Royalty fee income was \$3,577,058 and \$3,098,273 for the years ended December 31, 2022 and 2021, respectively.

**Other Franchise Services**

The Company provides other “for fee services” to the franchise. Other franchise services are based on negotiated rates and recognized when earned.

**Disaggregation of Revenue from Contracts with Customers**

The following table disaggregates the Company’s revenues based on the timing of satisfaction of performance obligations for the years ended December 31:

	2022	2021
Performance obligations satisfied at a point in time	\$ 3,796,667	\$ 3,213,607
Performance obligations satisfied over time	1,192,350	2,260,224
Total net sales	\$ 4,989,017	\$ 5,473,831

Revenue from performance obligations satisfied at a point in time consists of royalty fees and other fees. Revenue from performance obligations satisfied over time consists of franchise fees.

**Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense was \$252,666 and \$336,429 for the years ended December 31, 2022 and 2021, respectively, and is included in franchise development, marketing, and commissions on the accompanying statements of income.

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

**Fair Value Measurements**

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings, as reflected in the balance sheet, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of non-current assets and liabilities was determined by discounting future cashflows using rates currently available to the Company for assets or liabilities with similar terms and remaining maturities. The Company calculated that the estimated fair value of the non-current assets and liabilities is not significantly different than the carrying value of the assets or liabilities.

**Income Taxes**

The Company is treated as a partnership for income tax purposes and is not subject to income tax. Income is taxed directly to its members. Tax years that remain open to examination by regulatory authorities at December 31, 2022 are years 2019 and forward for the United States Internal Revenue Service and years 2018 and forward for the State of Colorado Department of Revenue.

**3. Accounts Receivable**

Trade accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual amounts. Balances outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Bad debt recoveries were \$14,990 for the year ended December 31, 2022. Bad debt expense totaled \$142,208 during the year ended December 31, 2021. In the opinion of Company's management, the allowance for uncollectible accounts at December 31, 2022 is considered adequate to cover any potential uncollectible receivable balances.

**4. Notes Receivable**

The Company entered into a note agreement with Phenix Salon Products, LLC and Phenix Salon, LLC that are related by common ownership.

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

Notes Receivable from Affiliates consists of the following at December 31:

	2022	2021
Gina's Platform	\$ 10,000	\$ 10,000
Phenix Store	137,500	137,500
Phenix Salon Products, LLC	619,500	619,500
Phenix Salon Real Estate, LLC	800	800
Phenix Salon, LLC	--	38,370
Total Notes Receivable from Affiliates	<u>\$ 767,800</u>	<u>\$ 806,170</u>

In March 2018, the Company's primary member assumed \$959,276 of receivables personally, removing them from the Company's records through member distributions, and a new note was issued replacing the previous notes. The note receivable specifies terms requiring monthly interest only payments beginning March 2018 and continuing until December 31, 2021, at which time the remaining unpaid principal and interest was due in full. On December 31, 2021, this note was extended with principal and interest becoming due in full on December 31, 2023. The note is unsecured and specifies an annual interest rate of 1.58%.

Total interest income on these notes in 2022 and 2021 was \$9,976 and \$15,488 respectively. Unpaid interest at December 31, 2022 and 2021 was \$97,830 and \$87,854, respectively.

In June 2020, the Company entered into a promissory note agreement with a franchisee. The balance of \$30,000 was due within 10 days from the date following the issuance of a certificate of occupancy. A certificate of occupancy has not been issued as of December 31, 2022. The amount due has been deemed uncollectible in 2022 and is included in bad debts on the accompanying statements of income.

**5. Related-Party Transactions**

Effective March 5, 2018, in connection with a significant acquisition of units from the founding member (Note 7), the Company amended its operating agreement to state that quarterly management fees will be paid to this member for as long as they hold Series A Units. Management fees were \$132,500 for the years ended December 31, 2022 and 2021, respectively. These fees are included in general and administrative expenses on the accompanying statements of income.

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

**6. Notes Payable**

The Company has a revolving credit line from a commercial bank. The loan provides a credit facility of \$50,000 requiring monthly payments of \$725 including interest at 8.50% and is personally guaranteed by a member. The balance outstanding was \$38,371 at December 31, 2021 and is included on the accompanying balance sheets. There was no outstanding balance at December 31, 2022.

**PAYROLL PROTECTION PROGRAM:**

On May 6, 2020, the Company borrowed \$61,800 under the Payroll Protection Program (PPP). Congress established the PPP to provide relief to small businesses during the COVID-19 pandemic as part of the \$2 trillion Coronavirus Aid, Relief, And Economic Security (CARES) Act. The loans and accrued interest are forgivable after eight weeks and up to 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes. The Company has used the funds as required per the note and provided necessary support. The loan was forgiven in 2021 and is shown as income for the year ended December 31, 2021 on the accompanying statements of income.

**7. Members' Equity**

In November of 2015, the Company created two classes of membership, Class A Units and Class B Units. Class A Units were issued to founding members and are voting units. Class B Units are non-voting and issued to other members when admitted to the Company. The total units outstanding are considered in the allocation of profits and losses with each member receiving allocations in accordance with their respective percentage interests.

In March of 2018, the Company admitted a new member, acquiring a 37.86% interest in the Company. This new member purchased the Class B Units of the minority owner and purchased Class A Units from the founding members. The operating agreement entitles the new member to a preferred annual return. As of December 31, 2020, there were preferred dividends in arrears of \$265,000 under this provision. Dividends of \$132,500 were paid in January 2022 and 2021.

In August of 2019, the Company amended its operating agreement to create a new class of membership interest titled Series B Preferred Units with voting rights and admitted a new member that will acquire a total 18.5185% interest in the Company. This new member received Class B Preferred Units from the founding members who converted certain Class A Units.

On January 1, 2020, the Company authorized the reservation of 80,000 units of Class B Units for issuance under the Phenix Salon Suites Franchising, LLC 2020 Equity Incentive Plan to employees, non-employee managers, and contractors. In 2020, the Company granted 62,400

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

Class B Unit Profits Interests to members of management and consultants. Of these units, 54,000 vests upon issuance commencing in 2021 over a three and four year period. The remaining 8,400 units are subject to performance and time vesting requirements. No shares were vested in 2022 or 2021 and the Company recognized no unit-based compensation as of December 31, 2022.

On November 11, 2021, Phenix 1929 Holding, LLC became the holding company of Phenix Salon Suites Franchising, LLC. As of that date, Phenix Salon Suites Franchising, LLC is the wholly owned subsidiary of Phenix 1929 Holding, LLC. All Class A and Class B Units of the previous members were transferred to the new holding company.

**8. Concentrations**

For the year ended December 31, 2022, one franchisee owning multiple locations represented 8% of royalty revenues and \$1,298 or 0% of accounts receivable.

For the year ended December 31, 2021, one franchisee owning multiple locations represented more than 11% of royalty revenues and \$19,4702 or 8% of accounts receivable.

The Company has greater than 23% and 25% of its franchise operations in California as of December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, two vendors represented greater than 40% and 57% of commissions paid, respectively. The Company paid these vendors \$318,887 and \$312,500 in 2022 and 2021.

**9. Contingencies**

The Company from time to time may be involved in various legal claims, actions, and complaints, generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial position or results of operation of the Company.

**10. Subsequent Events**

The Company's management has evaluated subsequent events from December 31, 2022 through the date of the report. The Company's management believes that there are no other events that have occurred that need to be disclosed in these financial statements.



**Phenix Salon Suites Franchising, LLC**  
(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)

FINANCIAL STATEMENTS

As of December 31, 2021 and 2020 and for the Years Then Ended

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Financial Statements**

**Contents**

Independent Auditors' Report.....	1-2
Financial Statements:	
Balance Sheets .....	3
Statements of Income.....	4
Statements of Members' Equity.....	5
Statements of Cash Flows.....	6-7
Notes to the Financial Statements.....	8-15



A Professional Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

A Member of the Division for CPA Firms  
American Institute of CPA's

8400 E. PRENTICE AVENUE, SUITE 660  
GREENWOOD VILLAGE, CO 80111  
(303) 813-1380  
FAX (303) 813-1386  
E-MAIL: bma@bmacpa.com

JAMES L. BURDICK, C.P.A.  
KELLIE L. BURDICK, J.D., C.P.A.  
THERESA S. WILLIAMS, C.P.A.  
CINDY J. MCBROOM, C.P.A.  
JEFFREY G. RICHARDSON, C.P.A.

March 31, 2022

## **INDEPENDENT AUDITORS' REPORT**

To the Members of Phenix Salon Suites Franchising LLC  
Encinitas, California

### **Opinion**

We have audited the accompanying financial statements of Phenix Salon Suites Franchising, LLC (a wholly-owned subsidiary of Phenix 1929 Holding, LLC) (the Company), which comprise the balance sheets as of December 31, 2021 and 2020 and the related statements of income and members' equity, and cash flows for the years then ended and the related notes to the financial statements.

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

### **Basis for Opinion**

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

*Burdick + Associates, P.C.*

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Balance Sheets**

	December 31,	
	2021	2020
<b>Assets</b>		
Current Assets:		
Cash	\$ 1,262,201	\$ 1,145,121
Accounts Receivable – Trade, net of allowance for bad debts of \$110,771 in 2021 and \$242,341 in 2020	137,959	355,228
Accrued Interest Receivable	87,854	72,366
Note Receivable	30,000	30,000
Deferred Franchising Cost	316,918	418,275
Prepaid Expenses	16,690	11,630
Total Current Assets	1,851,622	2,032,620
Other Non-Current Assets:		
Software Costs	316,916	196,416
Notes Receivable, Affiliates	806,170	673,485
Deferred Franchising Cost	659,507	811,320
Total Non-Current Assets	1,782,593	1,681,221
Total Assets	\$ 3,634,215	\$ 3,713,841
<b>Liabilities and Members' Equity</b>		
Current Liabilities:		
Accounts Payable	\$ 183,650	\$ 53,102
Accrued Expenses	40,253	113,921
Credit Card Payable	1,106	3,898
Line of Credit	38,370	43,185
Deferred Franchising Fee	956,150	867,045
Total Current Liabilities	1,219,529	1,081,151
Non-Current Liabilities:		
PPP Grant	--	61,800
Deferred Franchising Fee	2,208,241	2,046,045
Total Non-Current Liabilities	2,208,241	2,107,845
Total Liabilities	3,427,770	3,188,996
Members' Equity	206,445	524,845
Total Liabilities and Members' Equity	\$ 3,634,215	\$ 3,713,841

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Income**

	For the Years Ended	
	December 31,	
	2021	2020
Operating Revenues:		
Royalty Fees	\$ 3,098,273	\$ 2,233,608
Franchise Fees	2,260,224	1,009,460
Other Fees	115,334	243,474
Total Revenues	5,473,831	3,486,542
Cost of Sales:		
Franchise Development, Marketing, & Commissions	1,238,349	580,426
Total Cost of Sales	1,238,349	580,426
Gross Margin	4,235,482	2,906,116
Operating Expenses:		
General & Administrative Expenses	1,869,784	1,537,400
Bad Debts	142,208	242,341
Other Expenses	121,344	106,818
National Development Fund (net)	31,671	52,973
Total Operating Expenses	2,165,007	1,939,532
Net Income from Operations	2,070,475	966,584
Other Income (Expenses):		
Interest Income	15,487	23,000
PPP Grant	61,800	--
Interest Expense	(162)	(4,939)
	77,125	18,061
Net Income	\$ 2,147,600	\$ 984,645

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Members' Equity**

		Members' Equity
Balance at December 31, 2019	\$	237,700
Member Draws		(697,500)
Net Income		984,645
Balance at December 31, 2020		524,845
Member Draws		(2,466,000)
Net Income		2,147,600
Balance at December 31, 2021	\$	206,445

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Cash Flows**

	For the Years Ended December 31,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 2,147,600	\$ 984,645
Adjustments to Reconcile Net Income to Net Cash provided by Operating Activities:		
Changes in Assets and Liabilities		
Decrease (Increase) in Assets		
Accounts Receivable	348,839	(358,695)
Allowance for Bad Debts	(131,570)	242,341
Deferred Franchising Cost	253,170	(246,488)
Prepaid Expenses	(5,060)	9,874
Accrued Interest Receivable	(15,488)	(22,993)
Decrease in PPP Grant	(61,800)	--
Increase (Decrease) in Liabilities		
Accounts Payable	130,548	(25,763)
Accrued Expenses	(73,668)	72,840
Credit Card Payable	(2,792)	(29,783)
Deferred Franchising Fee - Current	89,105	69,290
Deferred Franchising Fee - Long-Term	162,196	644,100
Net cash provided by Operating Activities	2,841,080	1,339,368
<b>Cash Flows from Investing Activities</b>		
Increase in Notes Receivable	--	(30,000)
(Increase) Decrease in Notes and Advances to Affiliates	(132,685)	256,263
Software additions	(120,500)	(100,861)
Net cash (used in) provided by Investing Activities	(253,185)	125,402
<b>Cash Flows from Financing Activities</b>		
Increase in Amount Due to Members	--	(150,000)
(Payments made) cash provided by Line of Credit	(4,815)	43,185
Increase in PPP Grant	--	61,800
Distributions of cash to Members	(2,466,000)	(697,500)
Net cash used in Financing Activities	(2,470,815)	(742,515)

(Continued on following page)  
The accompanying notes are an integral part of the financial statements.



**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Statements of Cash Flows**

(Continued from previous page)

	For the Years Ended	
	December 31,	
	2021	2020
Net Increase in Cash	117,080	722,255
Cash - Beginning of Period	1,145,121	422,866
Cash - End of Period	\$ 1,262,201	\$ 1,145,121
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	\$ 162	\$ 4,939
Supplemental Disclosures of Non-Cash Investing and Financing Information:		
Distributions of Notes Receivable, Affiliates to Member	\$ --	\$ 300,000

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

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to Financial Statements**

**1. Organization and Nature of Business**

**General Overview**

Phenix Salon Suites Franchising, LLC (a wholly-owned subsidiary of Phenix 1929 Holding, LLC) (the "Company") was organized under the laws of the State of Colorado on February 10, 2010. The Company franchises salon suites, which are designed to lease dedicated space to hair stylists, massage therapists, manicurists and other salon professionals. The Company's principal office is located in Encinitas, California. The Company and its franchisees have franchised and operate approximately 317 locations in 33 states and the District of Columbia in the United States of America. The Company does not operate any locations.

The Company derives its revenues from one-time franchising fees and recurring franchise royalty and development fees.

**2. Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**Use of Estimates and Assumptions**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Significant estimates include but are not limited to the estimates used in franchise fee revenue recognition, calculating accrued expenses, and collectability of balances due from affiliates. Because of the inherent uncertainties in these estimates, it is at least reasonably possible that the estimates used will change in the near term.

**Concentration of Credit Risks**

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains deposit accounts in one commercial bank, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, deposits were in excess

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

of federally insured limits.

**Cash and Cash Equivalents**

Cash and cash equivalents consist principally of cash held in commercial bank accounts and money market funds having an original maturity of less than three months at the date of acquisition. All highly liquid investments with a maturity of three months or less as of the acquisition date are considered to be cash equivalents.

**Software Development Costs**

The Company capitalizes internally developed application development stage software costs in accordance with ASC 350, *Goodwill and Other Intangibles*. Such costs include capitalized payroll and outside contractor costs that are considered costs incurred after the preliminary project stage is completed and when management believes it is probable the project will be completed, and the software will be used to perform the functions intended.

**Franchise Fees**

On January 1, 2019, the Company adopted ASU 606, *Revenue from Contracts with Customers* which creates a single framework for recognizing revenue from contracts with customers that fall within its scope and revises when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets. The Company's revenues that fall within the scope of ASU 606 are presented as initial fees related to sales of franchises and are ordinarily recognized when all material services or conditions relating to the sales have been substantially performed or satisfied by the franchisor. The Company considers substantially all of their obligations have been performed for a single franchisee when the location has been selected, lease signed, and design specifications provided. The Company has implemented a process to only recognize 40% at this time and defer the remaining 60% until the location opens. The Company has developed a different procedure to recognize revenue for multiple location and area franchises. The Company performs substantial assistance in the first location with a multi-location franchise and little assistance in the development of subsequent locations. The Company has implemented a procedure to recognize franchise fee revenue for multiple location developers at 40% of fee revenue when first location has been selected and lease signed, 30% of fee revenue when first store opened and 30% of fee revenue to be allocated over the remaining number of locations. The franchise agreement specifies that the initial fees are not refundable and defines a time period when the first location must be operating, usually three years from the date of the franchise agreement.

Initial franchise fees collected for 2021 and 2020 totaled \$2,511,525 and \$1,722,850, respectively. Initial franchise fees collected but not earned are recorded as deferred revenue until recognized. The Company had deferred revenue from unearned franchise fees collected

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

of \$3,164,391 and \$2,913,090 at December 31, 2021 and 2020, respectively.

Commissions and direct expenses associated with deferred franchise fees are recorded as deferred expense until the related franchise fee is recognized as revenue and recorded as a deferred expense when the revenue is recognized. The Company had deferred franchising costs of \$976,425 and \$1,229,595 at December 31, 2021 and 2020, respectively.

**Royalty Fees**

Continuing royalty fees are normally based on a flat-rate determined on the size and suites in a store and range from \$449 to approximately \$1,800 per month. Royalty fee income was \$3,098,273 and \$2,233,608 for the years ended December 31, 2021 and 2020, respectively.

**Other Franchise Services**

The Company provides other “for fee services” to the franchise. Other franchise services are based on negotiated rates and recognized when earned.

**Disaggregation of Revenue from Contracts with Customers**

The following table disaggregates the Company’s revenues based on the timing of satisfaction of performance obligations for the years ended December 31:

	2021	2020
Performance obligations satisfied at a point in time	\$ 3,213,607	\$ 2,477,082
Performance obligations satisfied over time	2,260,224	1,009,460
Total net sales	\$ 5,473,831	\$ 3,486,542

Revenue from performance obligations satisfied at a point in time consists of royalty fees and other fees. Revenue from performance obligations satisfied over time consists of franchise fees.

**Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense was \$336,429 and \$291,389 for the years ended December 31, 2021 and 2020, respectively, and is included in franchise development, marketing, and commissions on the accompanying statements of income.

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

**National Convention Expense, Net**

The Company hosts an annual convention and family reunion. Fees received from participants and vendors are netted against direct expenses. The net national conventions and family reunion expense was \$2,459 for the year ended December 31, 2020 and is included in other expenses on the accompanying statements of income. Due to the Coronavirus pandemic, there was no convention held in 2021 or 2020.

**Fair Value Measurements**

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings, as reflected in the balance sheet, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of non-current assets and liabilities was determined by discounting future cashflows using rates currently available to the Company for assets or liabilities with similar terms and remaining maturities. The Company calculated that the estimated fair value of the non-current assets and liabilities is not significantly different than the carrying value of the assets or liabilities.

**Income Taxes**

The Company is treated as a partnership for income tax purposes and is not subject to income tax. Income is taxed directly to its members. Tax years that remain open to examination by regulatory authorities at December 31, 2021 are years 2018 and forward for the United States Internal Revenue Service and years 2017 and forward for the State of Colorado Department of Revenue.

**3. Accounts Receivable**

Trade accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual amounts. Balances outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Bad debt expense totaled \$142,208 and \$242,341 during the years ended December 31, 2021 and 2020, respectively. In the opinion of Company's management, the allowance for uncollectible accounts at December 31, 2021 is considered adequate to cover any potential uncollectible receivable balances.

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

**4. Notes Receivable**

The Company entered into a note agreement with Phenix Salon Products, LLC and Phenix Salon, LLC that are related by common ownership.

Notes Receivable from Affiliates consists of the following at December 31:

	2021	2020
Gina's Platform	\$ 10,000	\$ 10,000
Phenix Store	137,500	--
Phenix Salon Products, LLC	619,500	619,500
Phenix Salon Real Estate, LLC	800	800
Phenix Salon, LLC	38,370	43,185
Total Notes Receivable from Affiliates	<u>\$ 806,170</u>	<u>\$ 673,485</u>

In March 2018, the Company's primary member assumed \$959,276 of receivables personally, removing them from the Company's records through member distributions, and a new note was issued replacing the previous notes. The note receivable specifies terms requiring monthly interest only payments beginning March 2018 and continuing until December 31, 2021, at which time the remaining unpaid principal and interest was due in full. On December 31, 2021, this note was extended with principal and interest becoming due in full on December 31, 2023. The note is unsecured and specifies an annual interest rate of 1.58%.

In 2020, the Company's primary member assumed \$300,000 of receivables personally, removing them from the Company's records through member distributions.

Total interest income on these notes in 2021 and 2020 was \$15,488 and \$22,994, respectively. Unpaid interest at December 31, 2021 and 2020 was \$87,854 and \$72,366, respectively.

In June 2020, the Company entered into a promissory note agreement with a franchisee. The balance of \$30,000 is due within 10 days from the date following the issuance of a certificate of occupancy. A certificate of occupancy has not been issued as of December 31, 2021. The amount due is included on the accompanying balance sheets.

**5. Related-Party Transactions**

Effective March 5, 2018, in connection with a significant acquisition of units from the founding member (Note 7), the Company amended its operating agreement to state that quarterly management fees will be paid to this member for as long as they hold Series A

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

Units. Management fees were \$132,500 for the years ended December 31, 2021 and 2020, respectively. These fees are included in general and administrative expenses on the accompanying statements of income.

In 2019, the Company received a noninterest bearing advance of \$150,000 from one of its members. The advance was paid in full at December 31, 2020.

**6. Notes Payable**

The Company has a revolving credit line from a commercial bank. The loan provides a credit facility of \$50,000 requiring monthly payments of \$725 including interest at 8.50% and is personally guaranteed by a member. The balance outstanding was \$38,371 and \$43,185 at December 31, 2021 and 2020, respectively, and is included on the accompanying balance sheets.

**PAYROLL PROTECTION PROGRAM:**

On May 6, 2020, the Company borrowed \$61,800 under the Payroll Protection Program (PPP). Congress established the PPP to provide relief to small businesses during the COVID-19 pandemic as part of the \$2 trillion Coronavirus Aid, Relief, And Economic Security (CARES) Act. The loans and accrued interest are forgivable after eight weeks and up to 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes. The Company has used the funds as required per the note and provided necessary support. The amount was included as a liability in the accompanying balance sheets at December 31, 2020. The loan was forgiven in 2021 and is shown as income for the year ended December 31, 2021 on the accompanying statements of income.

**EIDL LOAN:**

On June 7, 2020, the Company executed the standard loan documents required for securing a loan (the "EIDL Loan") from the United States Small Business Administration (the "SBA") under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. The principal amount of the EIDL Loan is \$150,000, with proceeds to be used for working capital purposes. Interest on the EIDL Loan accrues at the rate of 3.75% per annum, and installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL Loan in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the promissory note. This note was paid in full including accrued interest of \$2,250 on December 31, 2020.

**7. Members' Equity**

In November of 2015, the Company created two classes of membership, Class A Units and Class B Units. Class A Units were issued to founding members and are voting units. Class

**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

B Units are non-voting and issued to other members when admitted to the Company. The total units outstanding are considered in the allocation of profits and losses with each member receiving allocations in accordance with their respective percentage interests.

In March of 2018, the Company admitted a new member, acquiring a 37.86% interest in the Company. This new member purchased the Class B Units of the minority owner and purchased Class A Units from the founding members. The operating agreement entitles the new member to a preferred annual return. As of December 31, 2020, there were preferred dividends in arrears of \$265,000 under this provision. Dividends of \$132,500 were paid in January 2021 and 2020.

In August of 2019, the Company amended its operating agreement to create a new class of membership interest titled Series B Preferred Units with voting rights and admitted a new member that will acquire a total 18.5185% interest in the Company. This new member received Class B Preferred Units from the founding members who converted certain Class A Units.

On January 1, 2020, the Company authorized the reservation of 80,000 units of Class B Units for issuance under the Phenix Salon Suites Franchising, LLC 2020 Equity Incentive Plan to employees, non-employee managers, and contractors. In 2020, the Company granted 62,400 Class B Unit Profits Interests to members of management and consultants. Of these units, 54,000 vests upon issuance commencing in 2021 over a three and four year period. The remaining 8,400 units are subject to performance and time vesting requirements. No shares were vested in 2021 or 2020 and the Company recognized no unit-based compensation as of December 31, 2021.

On November 11, 2021, Phenix 1929 Holding, LLC became the holding company of Phenix Salon Suites Franchising, LLC. As of that date, Phenix Salon Suites Franchising, LLC is the wholly owned subsidiary of Phenix 1929 Holding, LLC. All Class A and Class B Units of the previous members were transferred to the new holding company.

**8. Concentrations**

For the year ended December 31, 2021, one franchisee owning multiple locations represented 11% of royalty revenues and \$19,470 or 8% of accounts receivable.

For the year ended December 31, 2020, one franchisee owning multiple locations represented more than 9% of royalty revenues and \$150,392 or 25% of accounts receivable.

The Company has greater than 25% of its franchise operations in California as of December 31, 2021 and 2020.



**Phenix Salon Suites Franchising, LLC**  
**(A wholly-owned subsidiary of Phenix 1929 Holding, LLC)**  
**Notes to the Financial Statements**

For the years ended December 31, 2021 and 2020, two vendors represented greater than 57% and 69% of commissions paid, respectively. The Company paid these vendors \$312,500 and \$370,200 in 2021 and 2020.

**9. Contingencies**

The Company from time to time may be involved in various legal claims, actions, and complaints, generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial position or results of operation of the Company.

**10. Subsequent Events**

The Company's management has evaluated subsequent events from December 31, 2021 through the date of the report. The Company's management believes that there are no other events that have occurred that need to be disclosed in these financial statements.

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

Phenix Salon Suites Franchising LLC  
Balance Sheet

		September 30,	
		2023	2022
Assets			
Current Assets:			
Cash	\$	1,184,007	\$ 1,137,749
Accounts Receivable - Trade, net of allowance		333,122	131,593
Accrued Interest Receivable		105,312	95,336
Note Receivable		-	30,000
Other Receivable		79,200	-
Deferred Franchising Cost		360,785	389,723
Prepaid Expenses		70,325	23,189
Total Current Assets		2,132,751	1,807,590
Other Non-Current Assets:			
Software Costs		466,416	398,716
Notes Receivable, Affiliates		1,153,913	781,450
Deferred Franchising Cost		888,447	889,195
Total Non-Current Assets		2,508,776	2,069,361
Total Assets	\$	4,641,527	\$ 3,876,951
Liabilities and Members' Equity			
Current Liabilities:			
Accounts Payable	\$	74,463	\$ 161,366
Accrued Expenses		26,843	41,505
Credit Card Payable		12,570	5,946
Deferred Franchising Fee		1,034,977	1,009,749
Total Current Liabilities		1,148,853	1,218,566
Non-Current Liabilities:			
Deferred Franchising Fee		2,885,832	2,846,721
Total Non-Current Liabilities		2,885,832	2,846,721
Total Liabilities		4,034,685	4,065,287
Members' Equity		606,842	(188,336)
Total Liabilities and Members' Equity	\$	4,641,527	\$ 3,876,951

No assurance provided on these financial statements and substantially all disclosures have been omitted

# Phenix Salon Suites Franchising LLC

## Statements of Income

For the Nine - Month Period Ended September 30, 2023

	September 30,	
	2023	2022
Income		
Royalty Fee	\$ 3,164,724	\$ 2,633,640
Franchise Fees	581,202	744,070
Construction Management	72,250	125,000
Evaluation Site Fees	22,250	38,500
Groupon Income	2,182	2,732
Total Income	<u>3,845,368</u>	<u>3,559,422</u>
Cost of Goods Sold	<u>723,907</u>	<u>580,105</u>
Total Cost of Goods Sold	<u>723,907</u>	<u>580,105</u>
Gross Profit	<u>3,121,461</u>	<u>2,979,317</u>
Income (Expenses)		
National Development Fund (net)	161,171	(121,682)
Operating Expenses	(2,016,736)	(1,831,604)
PPP Loan Forgiveness	-	(76,312)
Total Income (Expenses)	<u>(1,855,565)</u>	<u>(2,029,598)</u>
Net Income	<u>\$ 1,265,896</u>	<u>\$ 949,719</u>

No assurance provided on these financial statements and substantially all disclosures have been omitted.

Phenix Salon Suites Franchising LLC  
 Statements of Members Equity  
 For the Nine - Month Period Ended September 30, 2023

	Members' Equity
Balance at December 31, 2018	\$ 255,516
Member Draws	(530,000)
Net Income	512,184
Balance at December 31, 2019	237,700
Member Draws	(697,500)
Net Income	984,645
Balance at December 31, 2020	524,845
Member Draws	(2,466,000)
Net Income	2,147,600
Balance at December 31, 2021	206,445
Member Contributions	-
Member Draws	(1,636,268)
Net Income	1,492,422
Balance at December 31, 2022	\$ 62,599
Member Contributions	-
Member Draws	(721,653)
Net Income	1,265,896
Balance at September 30, 2023	\$ 606,842

No assurance provided on these financial statements and substantially all disclosures have been omitted.

**Phenix Salon Suites Franchising LLC**  
**Statements of Cash Flows**  
For the Nine - Month Period Ended September 30, 2023

	September 30,	
	2023	2022
Cash Flows from Operating Activities		
Net Income	\$ 1,265,896	\$ 949,719
Adjustments to Reconcile Net Income to Net Cash provided by Operating Activities:		
Changes in Assets and Liabilities		
Decrease (Increase) in Assets		
Accounts Receivable	(126,518)	6,366
Allowance for Bad Debts	-	-
Deferred Franchising Cost	8,197	(302,492)
Prepaid Expenses	(61,488)	(6,499)
Accrued Interest Receivable	(7,482)	(7,482)
Increase (Decrease) in Liabilities		
Accounts Payable	(41,644)	(22,284)
Accrued Expenses	4,763	1,252
Credit Card Payable	(2,055)	4,840
Deferred Franchising Fee - Current	(250,503)	53,599
Deferred Franchising Fee - Long-Term	313,870	638,480
Net cash provided by Operating Activities	1,103,036	1,315,499
Cash Flows from Investing Activities		
Decrease (increase) in Notes and Advances to Affiliates	(386,113)	24,720
Software additions	(42,700)	(81,800)
Net cash provided by Investing Activities	(428,813)	(57,080)
Cash Flows from Financing Activities		
Cash Provided by Line of Credit	-	(38,371)
Distributions of Cash to Members	(721,653)	(1,344,500)
Net Cash used in Financing Activities	(721,653)	(1,382,871)
Net Increase (Decrease) in Cash		
Cash - Beginning of Period	1,231,437	1,262,201
Cash - End of Period	\$ 1,184,007	\$ 1,137,749

No assurance provided on these financial statements and substantially all disclosures have been omitted

**EXHIBIT E**  
**OPERATIONS MANUAL**

# Table of Contents

**ARTICLE I. WELCOME TO PHENIX..... 7**

SECTION 1.01 WHO WE ARE ..... 7

SECTION 1.02 HISTORY OF THE ESTABLISHMENT ..... 8

SECTION 1.03 BACKGROUNDS OF THE FRANCHISORS ..... 9

SECTION 1.04 BACKGROUNDS OF THE CORPORATE TRAINERS ..... 10

**ARTICLE II. FRANCHISOR MANAGEMENT LISTINGS ..... 11**

SECTION 2.01 ORGANIZATIONAL CHARTS ..... 11

SECTION 2.02 ADVISORY COUNCILS..... 13

**ARTICLE III. FRANCHISEE OBLIGATIONS..... 14**

SECTION 3.01 SPECIFIC OBLIGATIONS RELATING TO USE OF NAMES & MARKS..... 14

SECTION 3.02 DESCRIPTION OF FRANCHISOR’S MARK ..... 15

**ARTICLE IV. OUR BASIC PRINCIPLES ..... 18**

SECTION 4.01 WHAT IS PHENIX? ..... 18

SECTION 4.02 WHAT PHENIX PROVIDES THE TEAM MEMBER ..... 19

SECTION 4.03 WHAT PHENIX PROVIDES THE STAFF MEMBER..... 20

SECTION 4.04 THE PHENIX CORE VALUES..... 21

SECTION 4.05 THE KEYS TO OUR SUCCESS ..... 22

SECTION 4.06 OVERVIEW OF SERVICES OR ITEM DESCRIPTIONS ..... 23

**ARTICLE V. CUSTOMER SERVICE STANDARDS ..... 25**

SECTION 5.01 INTRODUCTION TO PHENIX CUSTOMER SERVICE STANDARDS ..... 25

SECTION 5.02 ESTABLISHING A RELATIONSHIP ..... 26

**ARTICLE VI. RETAIL INDUSTRY LAWS & REGULATIONS..... 27**

SECTION 6.01 FEDERAL RETAIL LAWS & REGULATIONS—SUMMARY ..... 27

SECTION 6.02 STATE/LOCAL RETAIL LAWS & REGULATIONS..... 29

SECTION 6.01 GIFT CARD REGULATION ..... 30

**ARTICLE VII. OFFICE WORKFLOW & PROCEDURES ..... 31**

SECTION 7.01 OVERVIEW OF OFFICE OPERATIONS & PROCEDURES ..... 31

SECTION 7.02 FRANCHISE PORTAL ..... 32

SECTION 7.03 SALON FOLDER ITEMS..... 34

SECTION 7.04 WELCOME LETTER ..... 35

SECTION 7.05 RECEPTIONIST PROCEDURES FOR NEW SALON PROFESSIONALS ..... 36

SECTION 7.06 SITE ORIENTATION ..... 37

SECTION 7.07 POS SYSTEM OVERVIEW ..... 39

SECTION 7.08 CLIENT CONFIDENTIALITY/NON-COMPETE..... 40

SECTION 7.09 CONTACTING THE STAFF ..... 41

SECTION 7.10 EMPLOYEE CONFIDENTIALITY ..... 42

SECTION 7.11 CONFIRMING NEW STAFF SCHEDULE..... 46

SECTION 7.12 HANDLING AND DEPOSIT OF CASH, CHECKS & CHARGES ..... 47

SECTION 7.13 LICENSES & RENEWALS..... 49

SECTION 7.14 MEP POLICY ..... 50

SECTION 7.15 SATISFACTION SURVEY ..... 51

SECTION 7.16 INCIDENT REPORTING ..... 52

SECTION 7.17 RECEPTION SCHEDULE ..... 53

SECTION 7.18 UNSCHEDULED NEW CLIENT DISTRIBUTION..... 54

SECTION 7.19 USING AND MAINTAINING THE BLACK BOOK ..... 55



SECTION 7.20	MISSED RECEPTIONIST COVERAGE .....	56
SECTION 7.21	WHEN NOT TO PROVIDE SERVICES .....	57
SECTION 7.22	GENERAL OFFICE CLOSING PROCEDURES .....	58
SECTION 7.23	WEEKLY CHECKLISTS .....	59
SECTION 7.24	BI-WEEKLY CHECKLISTS .....	60
SECTION 7.25	MONTHLY CHECKLISTS.....	61
SECTION 7.26	QUARTERLY CHECKLISTS .....	62
SECTION 7.27	ANNUAL CHECKLISTS .....	63
SECTION 7.28	LONG TERM MAINTENANCE ITEMS.....	64
<b>ARTICLE VIII.</b>	<b>GENERAL OPERATING PROCEDURES.....</b>	<b>65</b>
SECTION 8.01	CLIENT ETIQUETTE .....	65
SECTION 8.02	TELEPHONE ETIQUETTE .....	66
SECTION 8.03	CELL/TELEPHONE ETIQUETTE.....	67
SECTION 8.04	TELEPHONE EVALUATION .....	68
SECTION 8.05	FORBIDDEN PHRASES .....	73
SECTION 8.06	ASSESSING THE INCOMING CALL .....	74
SECTION 8.07	TAKING A MESSAGE.....	75
SECTION 8.08	RETURNING A PHONE MESSAGE.....	76
SECTION 8.09	RETURNING AN ELECTRONIC MESSAGE .....	77
SECTION 8.10	RETURNING AN EMAIL .....	78
SECTION 8.11	COMMUNICATIONS BOARD/BINDER.....	79
SECTION 8.12	COMMUNICATIONS STRATEGY/GREETING THE SALON PROFESSIONALS CLIENTS .....	80
SECTION 8.13	UNSCHEDULED NEW CLIENT DISTRIBUTION.....	81
SECTION 8.14	USING AND MAINTAINING THE BLACK BOOK .....	82
SECTION 8.15	COMMUNICATIONS BOARD/BINDER.....	83
SECTION 8.16	MISSED RECEPTIONIST COVERAGE .....	84
SECTION 8.17	WHEN TO CLOSE THE FACILITY .....	85
SECTION 8.18	INCIDENT/ACCIDENT REPORTING.....	86
SECTION 8.19	SAFETY GUIDELINES .....	87
SECTION 8.20	RECEPTION SCHEDULE .....	88
SECTION 8.21	POS SYSTEM OVERVIEW .....	89
SECTION 8.22	MEAL & MID-SHIFT BREAKS.....	90
SECTION 8.23	RECEPTIONIST OPENING PROCEDURES.....	91
SECTION 8.24	RECEPTIONIST ONGOING DAILY PROCEDURES .....	92
SECTION 8.25	EDUCATION EXPERIENCE.....	93
SECTION 8.26	PHENIX FAMILY REUNION/FRANCHISE CONVENTION .....	95
SECTION 8.27	INTERNATIONAL EDUCATION TEAM OPPORTUNITY .....	97
SECTION 8.28	CORPORATE PRE-LEASE ASSISTANCE PROGRAM.....	98
<b>ARTICLE IX.</b>	<b>INDUSTRY LAWS &amp; REGULATIONS.....</b>	<b>99</b>
SECTION 9.01	FEDERAL LAWS & REGULATIONS SUMMARY .....	99
SECTION 9.02	STATE/LOCAL LAWS & REGULATIONS SUMMARY .....	100
SECTION 9.03	SAFETY TRAINING RESOURCES .....	101
SECTION 9.04	SDS SHEETS.....	102
SECTION 9.05	WRITTEN HAZARD COMMUNICATION PROGRAM.....	103
SECTION 9.06	CHEMICALS IN THE WORKPLACE .....	104
SECTION 9.07	LIST OF HAZARDOUS CHEMICALS IN THE WORKPLACE .....	105
SECTION 9.08	LABELS AND OTHER FORMS OF WARNING.....	107
SECTION 9.09	CONSUMER ADVISORIES .....	111
SECTION 9.10	THE EPA.....	112
SECTION 9.11	RESOURCE GUIDE FOR COSMETOLOGY INDUSTRY INFORMATION & SAFETY .....	113
<b>ARTICLE X.</b>	<b>SANITATION.....</b>	<b>114</b>
SECTION 10.01	PERSONAL HYGIENE.....	114
SECTION 10.02	CLEANING/SANITIZING COMMON AREAS.....	115

SECTION 10.03	HANDLING GARBAGE AND RECYCLABLES .....	116
SECTION 10.04	CLEANING POLICIES .....	117
SECTION 10.05	COMMON AREA CLEANING SCHEDULE .....	118
SECTION 10.06	BREAK ROOM CLEANING SCHEDULE .....	119
SECTION 10.07	STORAGE ROOM SUPPLY/CLEANING SCHEDULE (IF APPLICABLE) .....	120
SECTION 10.08	RESTROOM CLEANING SCHEDULE .....	121
SECTION 10.09	MONTHLY CLEANING & MAINTENANCE SCHEDULE.....	123
SECTION 10.10	MASTER CLEANING CHECKLIST .....	124
SECTION 10.11	EXTERIOR CLEANING SCHEDULE .....	125
<b>ARTICLE XI.</b>	<b>MANAGEMENT .....</b>	<b>126</b>
SECTION 11.01	WELCOME MANAGEMENT TEAM MEMBER.....	126
SECTION 11.02	RESPONSIBLE CUSTOMER SERVICE—PROPERTY MANAGER.....	127
SECTION 11.03	MANAGEMENT PERFORMANCE SKILL GLOSSARY .....	128
SECTION 11.04	PROPERTY MANAGER PROFILE .....	129
SECTION 11.05	INDUSTRY REGS AND LAWS—WHAT THEY MEAN TO THE PROPERTY MANAGER....	130
SECTION 11.06	OPERATIONS MANUAL PENALTIES.....	131
SECTION 11.07	MANAGEMENT PUBLICATIONS .....	132
SECTION 11.08	MANAGEMENT STRESS.....	133
SECTION 11.09	ACCIDENT/ILLNESS GUIDE.....	135
SECTION 11.10	PROPERTY MANAGER DAILY CHECKLIST .....	136
SECTION 11.11	HANDLING THE MONIES.....	137
SECTION 11.12	SALON PROFESSIONAL COMMUNICATION .....	138
SECTION 11.13	FACILITY INSPECTIONS.....	139
SECTION 11.14	STAFF & BUILDING OVERSIGHT.....	140
SECTION 11.15	SITE INVENTORY LEVELS .....	141
SECTION 11.16	PUBLIC RELATIONS .....	142
SECTION 11.17	MEMOS OF RECORD .....	143
SECTION 11.18	ASSOCIATION PARTNERSHIPS.....	144
SECTION 11.19	STAFF & BUILDING OVERSIGHT.....	145
SECTION 11.20	EQUIPMENT MAINTENANCE .....	146
SECTION 11.21	STAFF MEALS & BREAKS.....	147
SECTION 11.22	CREATING A SCHEDULE .....	148
SECTION 11.23	WRITING A JOB DESCRIPTION .....	149
SECTION 11.24	STAFF TRAINING .....	150
SECTION 11.25	END OF THE DAY CHECKLIST.....	151
<b>ARTICLE XII.</b>	<b>LEGAL AND SAFETY REQUIREMENTS .....</b>	<b>152</b>
SECTION 12.01	THE INDUSTRY SPECIFIC INSPECTION .....	152
SECTION 12.02	OCCUPATIONAL SAFETY & HEALTH ACT (OSHA).....	155
SECTION 12.03	EMERGENCY SITUATIONS.....	160
SECTION 12.04	BURGLARY, THEFT AND ASSAULTS .....	161
SECTION 12.05	SUGGESTED BURGLARY PREVENTION.....	163
SECTION 12.06	SUGGESTED ROBBERY PREVENTION .....	164
SECTION 12.07	DETENTION & ARREST.....	165
SECTION 12.08	SUGGESTED FRAUD PREVENTION.....	166
SECTION 12.09	AUTO THEFT & CARJACKING.....	169
SECTION 12.10	SUGGESTED CHECK FRAUD PREVENTION .....	171
SECTION 12.11	SUGGESTED CREDIT CARD FRAUD PREVENTION .....	172
SECTION 12.12	SECURING CONFIDENTIAL COMPANY INFORMATION .....	173
SECTION 12.13	SUGGESTED WORKPLACE VIOLENCE PREVENTION .....	174
SECTION 12.14	COMMUNITY CRIME EFFORTS .....	177
SECTION 12.15	INTERNAL THEFT.....	178
SECTION 12.16	SUGGESTED IN-HOUSE SAFEGUARDS.....	187
SECTION 12.17	BOMB THREATS .....	188
SECTION 12.18	CRIME REPORTS .....	189

**ARTICLE XIII. STANDARDS ENFORCEMENT/ SUPERVISOR FIELD INSPECTIONS... 190**

SECTION 13.01 FREQUENCY AND NATURE OF PERIODIC FIELD INSPECTIONS..... 190

SECTION 13.02 CONSEQUENCES OF FAILURE TO MEET STANDARDS ..... 191

SECTION 13.03 REQUIREMENTS IN CONNECTION WITH INSPECTIONS CONDUCTED BY 3RD PARTIES 192

SECTION 13.04 FORM FIELD INSPECTION & REPORT SYSTEM ..... 193

**ARTICLE XIV. FINANCIAL REPORTING REQUIREMENTS & FORMAT ..... 196**

SECTION 14.01 ROYALTY REPORTING ..... 196

SECTION 14.02 ROYALTY REPORTING TO SUBMIT TO FRANCHISOR ..... 201

SECTION 14.03 ADVERTISING FEE REPORTING FORM, METHODS & PAYMENT REQUIREMENTS ..... 202

SECTION 14.04 FILING SYSTEMS..... 203

SECTION 14.05 CHART OF ACCOUNTS ..... 205

SECTION 14.06 RECORD RETENTION REQUIREMENTS FOR FRANCHISOR AND TAX PURPOSES ..... 207

SECTION 14.07 TIME FOR PAYMENT ..... 208

SECTION 14.08 PAYMENT EXTENSION REQUEST ..... 209

SECTION 14.09 PENALTIES FOR LATE PAYMENTS..... 210

**ARTICLE XV. ADVERTISING ..... 211**

SECTION 15.01 PHENIX MARKETING/ADVERTISING ..... 211

SECTION 15.02 PROMOTIONAL DIRECTOR ..... 213

SECTION 15.03 BEGINNING A BASIC ADVERTISING AND MARKETING PROGRAM..... 214

SECTION 15.04 BEGINNING A BASIC PR PROGRAM..... 217

SECTION 15.05 REQUIRED PRE-APPROVAL & PROOFS OF ADVERTISING ..... 219

SECTION 15.06 OUTDOOR ADVERTISING ..... 220

SECTION 15.07 POLICIES REGARDING COOPERATIVE ADVERTISING ..... 221

SECTION 15.08 CORPORATE PRE-LEASE ASSISTANCE PROGRAM..... 222

SECTION 15.09 PRE-LAUNCH/POST-LAUNCH–BEAUTY SUPPLY REPRESENTATIVES ..... 223

SECTION 15.10 MAINTAINING RELATIONSHIPS WITH SUPPLY HOUSES ..... 224

SECTION 15.11 POSTCARDS ..... 225

SECTION 15.12 DIRECT MAIL CAMPAIGN..... 226

SECTION 15.13 CRAIGSLIST EXAMPLE..... 227

SECTION 15.14 ADVERTORIALS ..... 230

SECTION 15.15 DIGITAL MEDIA UPDATES..... 231

SECTION 15.16 THE GINA FACTOR ..... 232

SECTION 15.17 POST-LAUNCH–GINA’S INVITATION ..... 233

SECTION 15.18 COMMUNITY INVOLVEMENT/SPONSORSHIP ..... 234

SECTION 15.19 PATIENCE IS KEY..... 235

SECTION 15.20 FLYERS AND BROCHURES ..... 236

SECTION 15.21 REFERRAL PROGRAM ..... 237

SECTION 15.22 POST-LAUNCH–FACEBOOK..... 238

SECTION 15.23 POST-LAUNCH–GINA’S INVITATION ..... 239

SECTION 15.24 PRINT ADVERTISING..... 241

SECTION 15.25 YELLOW PAGE ADS..... 242

SECTION 15.26 TV ADVERTISING..... 243

SECTION 15.27 RADIO ADVERTISING..... 244

SECTION 15.28 BILLBOARD ADVERTISING ..... 245

SECTION 15.29 CHAMBER INVOLVEMENT (OPTIONAL) ..... 246

SECTION 15.30 WRITING PRESS RELEASES..... 247

SECTION 15.31 MODEL RELEASE..... 258

**ARTICLE XVI. SPECIALTY GLOSSARIES..... 260**

SECTION 16.01 GLOSSARY: BASIC ADVERTISING TERMINOLOGY ..... 260

**EXHIBIT F-1****FRANCHISE LOCATIONS**  
(as of December 31, 2022)

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
1	Dennis	Daughety	1709 Montgomery hwy suite 109	Birmingham	Alabama	35244	ddaughety@phenixsalonsuites.com
2	Dennis	Daughety	6275 University Drive NW	Huntsville	Alabama	35806	ddaughety@phenixsalonsuites.com
3	C.K.	Adams	1800 McFarland Blvd. E, Suite 414	Tuscaloosa	Alabama	35404	(404) 983-2838
4	Dennis	Daughety	3036 Healthy Way, Suite 124	Vestavia Hills	Alabama	35243	ddaughety@phenixsalonsuites.com
5	Dennis	Daughety	790 Montgomery Hwy. South, Ste. 108	Vestavia Hills	Alabama	35216	ddaughety@phenixsalonsuites.com
6	David	Zhao	3450 West Chandler Blvd. Suite 1	Chandler	Arizona	85226	zph816@yahoo.com
7	David	Zhao	6671 E Baseline Road, #107	Mesa	Arizona	85206	zph816@yahoo.com
8	Nancy	Arbaugh	1855 S. Country Club Drive Ste. 111	Mesa	Arizona	85210	azsalonsuites@gmail.com
9	Mufazzel	Badani	15262 N. 75th Avenue	Peoria	Arizona	85381	mufazzal@cox.net
10	David	Zhao	4933 E. Ray Rd, #102	Phoenix	Arizona	85044	zph816@yahoo.com
11	Nancy	Arbaugh	4716 E. Thunderbird Rd.	Phoenix	Arizona	85032	azsalonsuites@gmail.com
12	Nancy	Arbaugh	13610 N Scottsdale Rd., Ste. 15	Scottsdale	Arizona	85254	azsalonsuites@gmail.com
13	David	Zhao(*)	1761 East Warner Suite B5	Tempe	Arizona	85284	zph816@yahoo.com
14	Kong	Do	5460 East Broadway Blvd., Ste 324	Tucson	Arizona	85711	(520) 486-1155
15	Kong	Do	2854 N Campbell Ave	Tucson	Arizona	85719	(520) 486-1155
16	Chris	Corbin	152 W. Lincoln Ave.	Anaheim	California	92805	(714) 292-0924
17	Mike	Assof	935 S. Brookhurst St.	Anaheim	California	92804	massof@oceanwestbuilders.com
18	Darius	Rutledge	975 E Birch Street, Ste. C	Brea	California	92821	reachdarius@gmail.com
19	Mike	Assof	5533 -D Philadelphia St.	Chino	California	91710	massof@oceanwestbuilders.com
20	Shadi	Najjar	4200 Chino Hills Parkway, Ste. 650	Chino Hills	California	91709	ssbizz1@gmail.com

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
21	David	Huffman	555 Broadway	Chula Vista	California	91910	David@davidhuffmanconstruction.com
22	Shadi	Najjar	380 Arrow HWY	Claremont	California	91711	ssbizz1@gmail.com
23	Mike	Assof	591 McKinley Street, #104	Corona	California	92879	massof@oceanwestbuilders.com
24	Robert	Lee	1835 Newport Boulevard, Ste. 210	Costa Mesa	California	92627	rlee371@gmail.com
25	Mike	Assof	1480-B N. Azusa Ave	Covina	California	91722	massof@oceanwestbuilders.com
26	Frank	Lopez	10181 Valley View St.	Cypress	California	90630	phenix.flopez@gmail.com
27	Sameh	Massih	3550 Blackhawk Plaza Cir	Danville	California	94506	SMassih@phenixsalonsuites.com
28	Anita	Ortega(*)	237 S. Diamond Bar Blvd, Suite A	Diamond Bar	California	91765	(626) 664-6225
29	Rich	Stark	415 Parkway Plaza, Suite T-25	El Cajon	California	92020	(949) 292-0909
30	Darius	Rutledge	142 N. El Camino Real #A	Encinitas	California	92024	reachdarius@gmail.com
31	Rich	Stark	342 W. El Norte Pkwy.	Escondido	California	92026	(949) 292-0909
32	Jason	Curtis(*)	420 Palladio Pkwy	Folsom	California	95630	jason@customsalonsuites.com
33	Dave	Huffman	17216 Slover Avenue #L-101	Fontana	California	92337	David@davidhuffmanconstruction.com
34	Shadi	Najjar(*)	1899 West Malvern Ave	Fullerton	California	92833	ssbizz1@gmail.com
35	Kyle	Brothers	100 S Maryland Ave Ste 144	Glendale	California	91205	(773) 426-6256
36	Carey	Sorel	18531 Main Street	Huntington Beach	California	92648	(858) 376-7156
37	Michael	McClane	20052 Brookhurst Street	Huntington Beach	California	92648	michaelmcclane@gmail.com
38	Mike	Assof	15268 Rosecrans Ave	La Mirada	California	90638	massof@oceanwestbuilders.com
39	Peter	Cudlip	46-650 Adams Street, Unit 101	La Quinta	California	92253	(303) 771-4004
40	Dave	Crocker(*)	24351 Avenida De La Carlota	Laguna Hills	California	92653	dcrocker54@gmail.com
41	Dave	Crocker	23600 Rockfield Boulevard, Suite 3A - 3B	Lake Forrest	California	92630	dcrocker54@gmail.com
42	Sam	Ghoubrial(*)	4091 Hardwick Street	Lakewood	California	90172	(949) 887-4488
43	Sameh	Massih(*)	4326 Las Positas Rd	Livermore	California	94551	SMassih@phenixsalonsuites.com
44	Charlie	Moffett(*)	300 East 4th Street, Ste. A	Long Beach	California	90802	(310) 849-8056
45	Charlie	Moffett	7255 Carson St	Long Beach	California	90808	(310) 849-8056
46	Nathan	Mays	6642 East Pacific Coast Hwy	Long Beach	California	90803	nathancmays@gmail.com

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
47	Jeremy	Vereecke	28134 S Western Ave	Los Angeles	California	90732	(818) 209-5713
48	Robert	Lee(*)	1051 Glendon Ave	Los Angeles	California	90024	rlee371@gmail.com
49	Robert	Lee	<del>13450</del> 13455 Maxella Ave., Unit 240	Marina Del Rey	California	90292	rlee371@gmail.com
50	Kyle	Daly Brothers	27742 Vista Del Lago, Suite 3	Mission Viejo	California	92692	(773) 426-6256
51	Carey	Sorel	40555 California Oaks Rd	Murrieta	California	92562	csorel@phenixsalonsuites.com
52	Rajiv	Arora(*)	2086 NewPark Mall	Newark	California	94560	(510) 396-1597
53	Rich	Stark	3772 Mission Ave Ste 124	Oceanside	California	92058	massof@oceanwestbuilders.com
54	Sam	Ghoubrial	2213 S. El Camino Real, Suite A	Oceanside	California	92054	(949) 887-4488
55	Mike	Assof	940 N. Mountain Avenue	Ontario	California	91762	massof@oceanwestbuilders.com
56	Hani	Sharestan	763 S. Main Street, Suite 100	Orange	California	92868	me3alem@aol.com
57	Cheryl	Kuchinka(*)	1311 West Channel Island Blvd	Oxnard	California	93033	(805) 864-3300
58	Peter	Cudlip(*)	44-419 Town Center Way, Unit A	Palm Desert	California	92260	(760) 340-1380
59	Michael	McClane	620 North Rose Drive, Unit A	Placentia	California	92870	michaelmcclane@gmail.com
60	Sameh	Massih	4230 Rosewood Drive, Ste A	Pleasanton	California	94588	(408) 916-6564
61	Carey	Sorel	15731 Bernardo Heights Parkway #104	Poway	California	92128	csorel@phenixsalonsuites.com
62	David	Crocker(*)	30501 Avenida De La Flores, Suite B1	Rancho Santa Margarita	California	92688	dcrocker54@gmail.com
63	Kyle	Brothers (Daly)	609 N Pacific Coast Highway	Redondo Beach	California	90277	(773) 426-6256
64	Michael	McClane	6165 Valley Springs Parkway, Suite A	Riverside	California	92507	michaelmcclane@gmail.com
65	Jason	Curtis	6815 Loantree Blvd	Rocklin	California	95765	jason@customsalonsuites.com
66	Jason	Curtis	354 N. Sunrise Ave	Roseville	California	95551	jason@customsalonsuites.com
67	Robert	Lee	801 Avenida Talega, Unit 102	San Clemente	California	92673	rlee371@gmail.com
68	Alex	Berman(*)	13179 Black Mountain Road	San Diego	California	92129	alberman@phenixsalonsuites.com
69	Alex	Berman	8160 Mira Mesa Boulevard	San Diego	California	92126	alberman@phenixsalonsuites.com
70	Rick	Day	13359 Poway Rd	San Diego	California	92064	Rickamday@gmail.com
71	Tim	Adams	840 West Arrow Highway	San Dimas	California	91773	(909) 606-5100
72	Mike	Assof	1979 East 17th St	Santa Ana	California	92705	massof@oceanwestbuilders.com

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
73	Rick	Day	120 S Hope Avenue Suite F-127	Santa Barbara	California	93105	(719) 641-4637
74	Rick	Day	3835 State Street #C154	Santa Barbara	California	93105	(951) 234-7781
75	Charlie	Moffett(*)	626 Broadway Street Suite 100	Santa Monica	California	90401	(310) 849-8056
76	Frank	Lopez	13944 SEAL BEACH BLVD	Seal Beach	California	90740	(562) 394-7814
77	Rick	Day	5700 N Sepulveda Blvd Suite 10	Sherman Oaks	California	91411	(951) 234-7781
78	Robert (Cheryl)	Cohen (Kuchinka)	5444 Yolanda Avenue	Tarzana	California	91356	(805) 864-3300
79	Todd	Baur	26439 Ynez Road, Ste. B	Temecula	California	92591	steve.severn@phenixsalonsuites.com
80	Frank	Lopez	24333 Crenshaw Blvd	Torrance	California	90505	(562) 394-7814
81	Shadi	Najjar	19800 Hawthorne Blvd. Suite 208	Torrance	California	90503	ssbizz1@gmail.com
82	Shadi	Najjar(*)	2435 Park Ave	Tustin	California	92782	(909) 841-7986
83	Mike	Assof	1605 B S Melrose Drive	Vista	California	92081	massof@oceanwestbuilders.com
84	Sam	Massih(*)	7000 Sunne Lane Ste 112	Walnut Creek	California	94597	(408) 916-6564
85	Shadi	Najjar	301 S. Glendora Ave Ste# 18	West Covina	California	91790	(714) 399-7325
86	Jerry	Griffith	6749 Fallbrook Avenue	West Hills	California	91307	jgriffith@phenixsalonsuites.com
87	Kyle	Daly(*)	1250 N. La Brea Avenue	West Hollywood	California	90038	(773) 426-6256
88	Brandon	Gambino	6735 B Westminster Blvd	Westminster	California	92683	(310) 753-0942
89	Robert	Aertker	16416 Beach Blvd	Westminster	California	92683	rcalandmark@icloud.com
90	Frank	Lopez	11201-11209 Washington Blvd	Whittier	California	90606	(562) 394-7814
91	Terry	Aden	7814 Wadsworth Blvd	Arvada	Colorado	80003	(303) 809-4044
92	Monte	Hamann	420 S. Chambers Rd #22	Aurora	Colorado	80017	(303) 870-9222
93	Dennis	Johanningmeier	4714 Milestone Lane Unit J	Castle Rock	Colorado	80104	(706) 516-6935
94	Reno	Reser	5910 Stetson Hills Blvd	Colorado Springs	Colorado	80923	(719) 597-6000
95	Sonny	Ro	402 North Tejon Street	Colorado Springs	Colorado	80903	(719) 448-0777
96	Tamara	Gordon	2130 Vickers Dr	Colorado Springs	Colorado	80918	(719) 510-2769
97	David	Takeda	1931 Sheridan Blvd	Edgewater	Colorado	80214	(303) 396-0388

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
98	Ed	Christensen	5110 South Broadway	Englewood	Colorado	80113	(303) 870-9222
99	Tony	Gordon	14500 West Colfax Ave. , Room 551A	Lakewood	Colorado	80401	(303) 590-1980
100	Jeff	Alexander	8174 S. Kipling Pkwy	Littleton	Colorado	80127	(719) 964-3284
101	Jeff	Alexander	8501 W Bowles Ave	Littleton	Colorado	80123	(719) 964-3284
102	Tony	Gordon	2030 County Line Rd , Unit H	Littleton	Colorado	80126	(720) 502-5198
103	Ed	Christensen	1240 S. Hover Street, Ste. 400	Longmont	Colorado	80501	(303) 870-9222
104	Suzanne	Gdovic	10620 Melody Drive, Unit F	Northglenn	Colorado	80234	(303) 961-2047
105	John	Reker	8384 Northfield Blvd. Suite 1240	Stapleton	Colorado	80238	(720) 937-1337
106	Michael	Carnahan	5191 West 112th Ave	Westminster	Colorado	80031	(303) 466-2000
107	Shannon	Fedrizzi	10160 W 50 <sup>th</sup> Ave Unit 3	Wheatridge	Colorado	80033	(720) 504-8169
108	Pete	Berman	205 Glastonbury Blvd.	Glastonbury	Connecticut	6033	pberman@phenixsalonsuites.com
109	Pete	Berman	110 Hale Rd.	Manchester	Connecticut	6042	pberman@phenixsalonsuites.com
110	Pete	Berman	400 Universal Dr., N.	North Haven	Connecticut	6473	pberman@phenixsalonsuites.com
111	Pete	Berman	596 Westport Ave	Norwalk	Connecticut	6851	pberman@phenixsalonsuites.com
112	Kevin	Davis	2300 N. Washington Place Suite 104	Washington	District of Columbia	20018	(667) 223-1787
113	Kevin	Davis	470 L'Enfant Plaza Center S.W Ste 429	Washington	District of Columbia	20024	(404) 983-2838
114	Cathy	Scarborough	397 East Altamonte Drive	Altamonte Springs	Florida	32071	catmspt@gmail.com
115	Menashe	Salomon	5050 Champion Blvd. Suites D4, D5 & D6	Boca Raton	Florida	33496	(561) 360-9748
116	Andrew	Owens	1455 S. Semoran Blvd., Unit 299	Casselberry	Florida	32707	(407) 228-6486
117	Jim	Suriano	4367 N State Road 7	Coral Springs	Florida	33073	(239) 404-5261
118	Keith	Volberg	10611-10619 West Atlantic Blvd	Coral Springs	Florida	33071	kvollberg@phenixsalonsuites.com
119	Tony	Haslam(*)	14545 C South Military Trail	Delray Beach	Florida	33484	thaslam44@yahoo.com



No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
120	Cyro	Gentil	13300 S. Cleveland Ave., Suite 3	Fort Myers	Florida	33907	(239) 237-9894
121	Alejandro	Bello	750 W 49 <sup>th</sup> Street	Hialeah	Florida	33012	(786) 292-4014
122	Alejandro	Bello	3251 Hollywood Blvd, Suite 447	Hollywood	Florida	33021	(305) 302-1649
123	Neil	Solomon(*)	1012 Margaret St, Suite 16	Jacksonville	Florida	33204	(407) 334-7658
124	Andrew	Owens	17380 Florida A1A Alternate	Jupiter	Florida	33477	(407) 758-8783
125	Andrew	Owens(*)	3801 Lake Mary Blvd Suite 101	Lake Mary	Florida	32746	(407) 228-6486
126	David	Williams	2263 Sw 37 <sup>th</sup> Ave Suite #101	Miami	Florida	33145	(561) 360-9748
127	David	Williams	12851 North Kendall Drive	Miami	Florida	33186	(561) 360-9748
128	Menny (Menesh)	(Salomon)	1934 SW 8 <sup>th</sup> St. Suite W-3 to W-5	Miami	Florida	33135	menashe@bellsouth.net
129	Cyro	Gentil	14700 Tamiami Trail North, Suite 24	Naples	Florida	34110	(239) 237-9894
130	Richard	Morosini	1485 Pine Ridge Rd	Naples	Florida	34110	(239) 290-8882
131	Richard	Morosini	412 Bayfront Place	Naples	Florida	34102	(239) 290-8882
132	Jerry	Griffith	2411 SW 27 <sup>th</sup> Ave	Ocala	Florida	34471	(352) 671-3000
133	Neil	Solomon	454 Blanding Blvd	Orange Park	Florida	32073	(407) 334-7658
134	Andy	Owens	7600 Doctor Phillips Boulevard, Suite 74	Orlando	Florida	32819	(407) 228-6486
135	Cyro	Gentil	30 West Grant Street Suite 46 *2 <sup>nd</sup> Expansion *1 <sup>st</sup> Expansion – 1,200 sf expansion* *Original Opening 01-01-2017*	Orlando	Florida	32806	(239) 237-9894
136	Andrew	Owens	1115 Vidina Place, Suite 101	Oviedo	Florida	32765	(407) 758-8783
137	Andrew	Owens	11670 US Highway One	Palm Beach Gardens	Florida	33408	(407) 758-8783
138	Keith	Vollberg(*)	2228 N. Flamingo Road	Pembroke Pines	Florida	33028	kvollberg@phenixsalonsuites.com
139	Tony	Haslam(*)	7035 West Broward Boulevard	Plantation	Florida	33317	(252) 269-1132

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
140	Kevin	Downs	3813 South Nova Road, Suite 105	Port Orange	Florida	32127	(321) 549-8238
141	John	Garuti(*)	3578 Clark Rd	Sarasota	Florida	34321	(347) 925-0447
142	Andrew	Owens	6910 22 <sup>nd</sup> Ave., North	St Petersburg	Florida	33710	(407) 758-8783
143	Chris	Bridegroom	5849 N University Dr	Tamarac	Florida	33321	(954) 540-2199
144	Chris	Leber	101 N. Clematis St #120	West Palm Beach	Florida	33401	(239) 571-5822
145	Cyro	Gentil	100 Sansbury Way #102	West Palm Beach	Florida	33411	(239) 237-9894
146	Andrew	Owens(*)	601-A S. New York Avenue	Winter Park	Florida	32789	(407) 228-6486
147	Chris	Bitterman(*)	5530 Windward Pkwy	Alpharetta	Georgia	30004	(678) 939-4798
148	Chip	Patterson	1075 Peachtree St NE	Atlanta	Georgia	30309	(404) 557-0482
149	Chip	Patterson	2967 Cobb Pkwy SE	Atlanta	Georgia	30339	(404) 557-0482
150	Dennis	Daughety	360 Pharr Rd	Atlanta	Georgia	30305	(205) 422-5661
151	Mark	Nevle(*)	1253 Caroline St	Atlanta	Georgia	30307	(770) 354-2358
152	Randa	Cobb(*)	2329-C Cheshire Bridge Rd	Atlanta	Georgia	30324	(929) 327-5916
153	Nicole	Grot	1600 Mall of Georgia Blvd., Ste 1030	Buford	Georgia	30519	(404) 502-3657
154	Chris	Bitterman	410 Peachtree Pkwy	Cumming	Georgia	30041	(678) 939-4798
155	Charlie	Astolfi(*)	2100 Roswell Road	Marietta	Georgia	30062	(404) 510-2734
156	Dennis	Daughety	50 Barrett Parkway Ste 4015	Marietta	Georgia	30066	(205) 422-5661
157	Sam	Tuttle(*)	5450 Peachtree Parkway	Peachtree Corners	Georgia	30092	(678) 434-2000
158	Sam	Tuttle(*)	629 Holcomb Bridge Rd	Roswell	Georgia	30076	(678) 434-2000
159	Randa	Shebly	5920 Roswell Road NE, Idg. A Unit A-207	Sandy Springs	Georgia	30328	(404) 719-5982
160	Javier	Soloaga(*)	3240 South Cobb Dr.	Smyrna	Georgia	30080	(404) 510-2734
161	Sam	Tuttle(*)	1630 Scenic Hwy	Snellville	Georgia	30078	(678) 555-1349

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
162	Nicole	Grot	1500 Peachtree Industrial Blvd. STE 165	Suwanee	Georgia	30024	(404) 502-3657
163	Nicole	Grot	3630 Peachtree Parkway	Suwanee	Georgia	30024	(404) 502-3657
164	Andrea	Montecchi(*)	7054 W State Street	Boise	Idaho	83714	(608) 338-7452
165	Jeremy	Dresen	2243 E. 17 <sup>th</sup> Street	Idaho Falls	Idaho	83404	(208) 680-1157
166	Andrea	Montecchi(*)	3909 E Fairview Ave Suite 100	Meridian	Idaho	83642	(608) 338-7452
167	Tim	Baumruck	100 East Walton Street	Chicago	Illinois	60611	tbaumruck@gmail.com
168	Tim	Baumruck	520 N. Michigan Ave	Chicago	Illinois	60611	(847) 691-9700
169	Jeff	Siegel	23 Countryside Plaza	Countryside	Illinois	60525	(512) 923-4335
170	Tim	Baumruck	20330 Deer Park Boulevard, Suite 124	Deer Park	Illinois	60010	tbaumruck@gmail.com
171	Leonard	Chitekwe(*)	7451 Lemont Rd. Suite 16	Downers Grove	Illinois	60516	(224) 828-1455
172	Tim	Baumruck	1400 S. Milwaukee, Unit 19	Libertyville	Illinois	60048	tbaumruck@gmail.com
173	Tim	Baumruck(*)	91 Randhurst Village Drive	Mount Prospect	Illinois	60056	tbaumruck@gmail.com
174	Tim	Baumruck	1995 W. Jefferson	Naperville	Illinois	60540	tbaumruck@gmail.com
175	Tim	Baumruck	3021 Butterfield Road, Suite 208	Oakbrook	Illinois	60523	tbaumruck@gmail.com
176	Leonard	Chitekwe	9295 West 159 <sup>th</sup> Street	Orland Hills	Illinois	60477	(224) 828-1455
177	Jeff	Siegel(*)	2400 Route US 30, Suite C1	Oswego	Illinois	60543	(512) 923-4335
178	Tim	Baumruck	530 E Golf Road	Schaumburg	Illinois	60173	tbaumruck@gmail.com
179	Leonard	Chitekwe-Mwale	15917 Harlem Ave	Tinley Park	Illinois	60477	(224) 828-1455
180	Cindy	Winkel	1605 SE Delaware Ave, Suite F	Ankeny	Iowa	50021	PhenixIowa@gmail.com
181	Chris	Winkel	2900 University Ave, Suites 160	West Des Moines	Iowa	50266	PhenixIowa@gmail.com
182	Darren	Taylor	5750 Antioch Rd	Merriam	Kansas	66202	dctaylor26@gmail.com
183	Kathleen	Ruegsegger(*)	9270 Metcalf Ave	Overland Park	Kansas	66212	mkmr@phenixsalonsuites.com
184	Kevin	Davis	911 E. Fort Avenue	Baltimore	Maryland	21230	(404) 983-2838

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
185	Kevin	Davis	5 Bel Air South Pkwy	Bel Air	Maryland	21014	(404) 983-2838
186	Kevin	Davis	6846 Race Track Rd	Bowie	Maryland	20715	(404) 983-2838
187	Kevin	Davis	10250 Baltimore Avenue, Suite 200	College	Maryland	20740	(404) 983-2838
188	Kevin	Davis	5432 Silver Hill Rd	District Heights	Maryland	20747	(667) 223-1787
189	Kevin	Davis	220A Shorebird St	Fredrick	Maryland	21701	(404) 983-2838
190	Alesha	Magby	363 Muddy Branch Road	Gaithersburg	Maryland	20878	(240) 795-9594
191	Kevin	Davis	3704 East West Highway City	Hyattsville	Maryland	20782	(404) 983-2838
192	Kevin	Davis	8823 Annapolis Road	Lanham	Maryland	20782	(404) 983-2838
193	Kevin	Davis	13600 Baltimore Avenue, Suite 100, Suite 109	Laurel	Maryland	20707	(404) 983-2838
194	Kevin	Davis	9616 Reisterstown Rd	Owing Mills	Maryland	21117	(404) 983-2838
195	Kevin	Davis	2431 Cleanleigh Drive	Parkville	Maryland	28210	(404) 983-2838
196	Kevin	Davis	8700 Liberty Road	Randallston	Maryland	21136	(404) 983-2838
197	Kevin	Davis	1776 E. Jefferson Street	Rockville	Maryland	20852	(667) 223-1787
198	Kevin	Davis	8815 Pulaski Highway	Rosedale	Maryland	21237	(404) 983-2838
199	Kevin	Davis	8661 Colesville Rd	Silver Spring	Maryland	20910	(404) 983-2838
200	Kevin	Davis	2080 York Rd	Timonium-Lutherville	Maryland	21093	(404) 983-2838
201	Kevin	Davis	10478 Campus Way	Upper Marlboro	Maryland	20774	(404) 983-2838
202	Kevin	Davis	410 Meadow Creek Dr	Westminster	Maryland	21157	(404) 983-2838
203	Derek	McMahon(*)	55 Dodge St, Suite #A-100	Beverly	Massachusetts	1915	(617) 548-0873
204	Nazim	Shirur(*)	5826 North Sheldon Rd	Canton	Michigan	48187	(734) 536-0313
205	Nazim	Shirur	31170 Beck Road	Novi	Michigan	48377	(734) 536-0313
206	Nazim	Shirur	44433 Ann Arbor Road	Plymouth	Michigan	48187	(734) 536-0313

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
207	Erin	O'keefe	145 Willow Bend	Crystal	Minnesota	55428	(612) 749-0838
208	Brett	Alber	1287 Promenade Place	Eagan	Minnesota	55122	(612) 819-0357
209	Steve	Peterson	7900 Wedgewood Lane	Male Grove	Minnesota	55369	(651) 334-1100
210	Steve	Peterson(*)	12993 Ridgedale Drive, Suite 101 Minnetonka, MN 55305	Minnetonka	Minnesota	55305	(320) 309-6086
211	Tim	D'Souza	4001 S. Buffalo Road	Las Vegas	Nevada	89147	(702) 530-7028
212	Tim	D'Souza	4270 Blue Diamond Road, Ste 101A	Las Vegas	Nevada	89139	(702) 530-7028
213	Tim	D'Souza	9975 S. Eastern Ave	Las Vegas	Nevada	89183	(702) 530-7028
214	Tim	D'Souza	8110 W. Warm Springs Rd.	Las Vegas	Nevada	89183	(702) 530-7028
215	Paul	De Falco(*)	W Rte 70	Cherry Hill	New Jersey	8002	(908) 625-8874
216	Paul	De Falco	155 Route 130 South	Cinnaminson	New Jersey	8077	(484) 430-1820
217	Pete	Berman(*)	77 Central Ave	Clark	New Jersey	7066	pberman@phenixsalonsuites.com
218	Kevin	Davis	1051 Bloomfield Ave	Clifton	New Jersey	7012	(667) 223-1787
219	Paul	De Falco	1500 Almonesson Rd	Deptford	New Jersey	8096	(484) 430-1820
220	Kevin	Davis	543 River Road	Edgewater	New Jersey	11201	(201) 562-2888
221	Kevin	Davis	269 Route 46	Little Ferry	New Jersey	7643	(667) 223-1787
222	Kevin	Davis	275 Route 4 West	Paramus	New Jersey	7652	(201) 562-2888
223	Kevin	Davis	275 Route 4W	Paramus	New Jersey	7653	(667) 223-1787
224	Pete	Berman	980 Shrewsbury Ave	Tinton Falls	New Jersey	7724	pberman@phenixsalonsuites.com
225	David	Eisenman	1235 West Chestnut St.	Union	New Jersey	7083	(848) 305-6717
226	Shanon	Morrison	1593 US-22	Watchung	New Jersey	7069	(732) 630-2181
227	David	Eisenman	465 Greene Street	Woodbridge	New Jersey	7095	(201) 665-3997
228	Kristin	Browning Mezel	6100 San Mateo Blvd. NE	Albuquerque	New Mexico	87109	(484) 430-1820
229	Djanene	Bartholomew	463-5 Park Ave	Babylon	New York	11757	(631) 301-0101
230	Dexter	Bartholomew	2230 Church Ave	Brooklyn	New York	11226	9293482305

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
231	Anthony	Nasser(*)	2571 Hempstead Turnpike	East Meadow	New York	11554	(516) 418-2801
232	Kevin	Davis	210 Sunrise Hwy	Freeport	New York	11520	(404) 983-2838
233	Kevin	Davis	630 Stewart Avenue	Garden City	New York	11530	(667) 223-1787
234	Kevin	Davis	165-10 Archer Ave	Jamaica	New York	11433	(404) 983-2838
235	Kevin	Davis	30-30 Northern Blvd.	Long Island	New York	11101	(404) 983-2838
236	Anthony	Nasser	941 Carmans Rd Suite 230 & 240	Massapequa	New York	11758	(631) 339-8833
237	Pete	Berman	88 Dunning Rd	Middletown	New York	10940	pberman@phenixsalonsuites.com
238	Pete	Berman	77 Quaker Ridge Road	New Rochelle	New York	10804	pberman@phenixsalonsuites.com
239	Laird	Ferguson	2130 Adam Clayton Powell JR BLVD	New York City	New York	10027	(917) 736-0179
240	Kevin	Davis	1257 Deer Park Avenue	North Babylon	New York	11703	(667) 223-1787
241	Pete	Berman	2600 S Road	Poughkeepsie	New York	12601	pberman@phenixsalonsuites.com
242	Gabriel	Abrams	443 Tarrytown Rd	White Plains	New York	10607	(667) 223-1787
243	Kevin	Davis	253-01 Rockaway Blvd	Woodmere	New York	11422	(667) 223-1787
244	Kevin	Davis	1213 Parkside Main Street	Cary	North Carolina	27519	(404) 983-2838
245	Stephanie	Shook	4735-2A Sharon Road	Charlotte	North Carolina	28210	(724) 396-7102
246	Stephanie	Shook	1916 Sklibo Road	Fayetteville	North Carolina	28314	(724) 396-7102
247	Kevin	Davis	1218 Bridford Parkway	Greensboro	North Carolina	27407	(404) 983-2838
248	Kevin	Davis	591 River Hwy	Mooresville	North Carolina	28117	(404) 983-2838
249	Greg	Rusnak	7361 Six Forks rd.	Raleigh	North Carolina	27615	(978) 729-3724
250	Tony	Haslam(*)	7122 Market St., Suite 160 & 170	Wilmington	North Carolina	28411	(252) 269-1132
251	Michael	Morgan	2723 Miamisburg Centerville Road	Dayton	Ohio	45459	(937) 476-1449
252	Sheri	Hardesty(*)	3974 Red Bank Road, Ste C	Fairfax	Ohio	45227	(859) 250-3256
253	Brian	Miller	15314 Detroit Avenue	Lakewood	Ohio	44107	(216) 264-6367
254	Robert	Lee	2200 24th Ave NW	Norman	Oklahoma	73072	rlee371@gmail.com

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
255	Andy	Swartz(*)	<del>5505</del> 5517 E. 41st Street, Tulsa, OK 74135.	Tulsa	Oklahoma	74135	(432) 638-6100
256	Paul	De Falco	61 E. City Ave	Bala Cynwyd	Pennsylvania	19004	(484) 430-1820
257	Jim	McKenzie	20111 Route 19 and Freedom Road	Cranberry Township	Pennsylvania	16066	(724) 355-5046
258	Tim	Quinn	2714 Dekalb Pike, Suite B	East Norriton	Pennsylvania	19401	(484) 424-9322
259	Paul	De Falco	2180 MacArthur Rd	Whitehall	Pennsylvania	18052	(484) 430-1820
260	Henry	Brown	2441 Laurens Road	Greenville	South Carolina	29607	(864) 907-1044
261	Tony	Haslam(*)	1501 N Highway 17 Suite J	Mount Pleasant	South Carolina	29464	(252) 269-1132
262	Paula	Anderson	725 Cherry Road Suite 157-B	Rock Hill	South Carolina	29732	panderson@phenixsalonsuites.com
263	Mark	Nevle	2020 Gunbarrel Rd., Suite 194	Chattanooga	Tennessee	37421	(770) 354-2358
264	Greg	Brown	2000 Mallory Ln #340	Franklin	Tennessee	37067	(615) 861-0847
265	Eric	Fountain(*)	2123 West St	Germantown	Tennessee	38138	(901) 356-3787
266	Doug	Cox	217 Indian Lake Blvd., Suite 300	Hendersonville	Tennessee	37075	(833) 474-3649
267	Eric	Fountain(*)	4699 Poplar Ave	Memphis	Tennessee	38117	(901) 356-2629
268	Chris	Aune(*)	9300 IH-35 South, Suite 14 & 15	Austin	Texas	78748	(512) 771-7422
269	Chris	Aune	14005 North US HWY 183 Suite 1200	Austin	Texas	78717	(512) 771-7422
270	Mark	To	5101 Bellaire Blvd	Bellaire	Texas	77401	mark.to@mewc.biz
271	Robert	Aertker	2650 Midway Road, Suites 140 and 240	Carollton	Texas	75006	rcalandmark@icloud.com
272	Mark	To	4709 Colleyville Blvd # 400	Colleyville	Texas	76304	mark.to@mewc.biz
273	Ellie	Ren	18216 Preston Rd., Suite B-3	Dallas	Texas	75252	(972) 838-6280
274	Robert	Lee	6033 Berkshire Ln	Dallas	Texas	75225	rlee371@gmail.com
275	Ken	Aselton	13465 Inwood Road, Ste 185	Farmers Branch	Texas	75244	kaselton@phenixsalonsuites.com
276	Jeff	Davids	6101 Long Prairie Road Ste 140, Unit 3	Flower Mound	Texas	75028	(972) 740-1954

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
277	Mark	To	6201 Sunset Drive, Suite 650	Fort Worth	Texas	76116	mark.to@mewc.biz
278	Mark	To	5844 SW Loop 820	Fort Worth	Texas	76132	mark.to@mewc.biz
279	Jeff	Davids	2930 Preston Road Frisco TX 75034	Frisco	Texas	75034	(972) 740-1954
280	Randy	Pius(*)	12021 Dallas Pkwy., Suite 600	Frisco	Texas	75034	(214) 762-1312
281	David	Sayabouassy	4010 William D Tate Ave Unit 1	Grapevine	Texas	76051	(832) 605-6305
282	Brian	Evans	8555 Westheimer Road	Houston	Texas	77063	(713) 253-1362
283	Gary	Blizzard	3057 W Holcombe Blvd	Houston	Texas	77025	(281) 252-9940
284	Greg	Gordillo(*)	947 Gessner Rd	Houston	Texas	77024	gsgordillo@phenixsalonsuites.com
285	Jerry	Griffith	5215 E FM 1960 West	Houston	Texas	77069	(901) 679-3292
286	Mark	To	2034-A West Gray St	Houston	Texas	77019	mark.to@mewc.biz
287	Mark	To	2401 N Shepherd, Suite #220	Houston	Texas	77008	mark.to@mewc.biz
288	Mark	To	2101 Smith St	Houston	Texas	77002	mark.to@mewc.biz
289	Steve	Marshall	4040 N. MacArthur Blvd. Ste 100	Irving	Texas	75038	tsmholdingsllc@gmail.com
290	Susan	Gordillo(*)	20290 Katy FWY Katy TX 77449	Katy	Texas	77449	(786) 423-9310
291	Randy	Pius(*)	6700 Alma Road, Suite 100	McKinney	Texas	75070	(214) 762-1312
292	Ray	Mallouk	5964 W. Parker Road, Suite 104 & 116	Plano	Texas	75093	rmallouk@hotmail.com
293	Vincent	Mai	1017 N Central Expressway Suite 200	Plano	Texas	75075	(214) 720-2258
294	Taylor	Quillicy	100 S. Central Highway Suite 43	Richardson	Texas	75080	(972) 885-8557
295	Chuck	Andersen	11569 Bandera Rd	San Antonio	Texas	78250	phenixsalons@satx.rr.com
296	Chuck	Andersen	1231 Austin Highway	San Antonio	Texas	78209	phenixsalons@satx.rr.com
297	David	Purinton	13442 San Pedro Avenue	San Antonio	Texas	78216	(210) 325-6400



No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
298	Ricky	Friedrichs(*)	18360 Blanco Road, Suite 140	San Antonio	Texas	78258	karla.friedrichs@phenixsalonsuites.com
299	Roger	Tinnin	21107 US Hwy 281 N #1400	San Antonio	Texas	78258	tinnin64@gmail.com
300	Robert	Lee	2750 E. Southlake Blvd Units 170/ 180	South Lake	Texas	76092	rlce371@gmail.com
301	Leah	Dresen	241 East 12300 South	Draper	Utah	84020	(208) 680-1157
302	Landon	Blatter	6245 S Highland Dr. Space #6261, 6263 & 6265	Salt Lake City	Utah	84121	(303) 261-5451
303	Troy	Jolley(*)	7689 South Jordan Landing Boulevard, Suite 170	West Jordan	Utah	84084	(801) 438-3179
304	Kevin	Davis	7700 Richmond Hwy	Alexandria	Virginia	22306	(719) 785-4858
305	Kevin	Davis	44751 Brimfield Dr	Ashburn	Virginia	20147	(719) 785-4858
306	Kevin	Davis	2148 Barracks Rd	Charlottesville	Virginia	22903	(719) 785-4858
307	Kevin	Davis	<del>4107-116B</del> 4300 Portsmouth Blvd.	Chesapeake	Virginia	23321	(719) 785-4858
308	Kevin	Davis	1720 Sentinel Drive, Suite 104	Chesapeake	Virginia	23320	(719) 785-4858
309	Kevin	Davis	1380 Carl D Silver Parkway Unit 1380	Fredericksburg	Virginia	22401	(719) 785-4858
310	Kevin	Davis	2421 Old Brick Road	Glen Allen	Virginia	23060	(719) 785-4858
311	Kevin	Davis	1421 Merchant Lane	Hampton	Virginia	23666	(719) 785-4858
312	Kevin	Davis	9906 Liberia Ave	Manassas	Virginia	20110	(719) 785-4858
313	Kevin	Davis	12551 Jefferson Avenue, 187	Newport News	Virginia	23602	(719) 785-4858
314	Kevin	Davis	643 Brandon Ave	Roanoke	Virginia	24014	(719) 785-4858
315	Kevin	Davis	7723 Commerce street	Springfield	Virginia	22150	(719) 785-4858
316	Kevin	Davis	3312 Princess Anne Rd. Ste 835	Virginia Beach	Virginia	23456	(719) 785-4858

No.	Franchisee First Name	Franchisee Last Name	Street Address	City	State / Province	Zip / Postal Code	Center Phone
317	Kevin	Davis	4505 Columbus Street	Virginia Beach	Virginia	23462	(719) 785-4858
318	Kevin	Davis	2980 Prince Williams Pkwy	Woodbridge	Virginia	22192	(719) 785-4858
319	Ashutosh	Sharma	15600 NE 8 <sup>th</sup> Street, Unit F20	Bellevue	Washington	98008	(425) 667-0171
320	Jane	Eng	22627 Bothell-Everett Hwy, Suite D-E	Bothel	Washington	98021	engchua8@gmail.com
321	Dalene	Kersey	18811 28th Ave. W	Lynnwood	Washington	98036	kerseydalene@hotmail.com
322	Ralph	Pryor(*)	22526 SE 4th Street, Unit C	Sammamish	Washington	98074	pryor.ralph@gmail.com
323	Jeff	Siegel(*)	17105 Bluemond Rd	Brookfield	Wisconsin	53005	phenixoswego@gmail.com
324	Jeff	Siegel	4840 S 76th St	Greenfield	Wisconsin	53220	phenixoswego@gmail.com
325	Andrea	Montecchi(*)	7475 Mineral Point Rd	Madison	Wisconsin	53717	andrea.phenix@outlook.com
326	Andrea	Montecchi(*)	2358 East Springs Dr Ste 300	Madison	Wisconsin	53704	andrea.phenix@outlook.com

(\*) - Denotes Area Developer.

**EXHIBIT F-2**

**FRANCHISEES WITH ONE OR MORE SIGNED FRANCHISE AGREEMENTS FOR  
NON-OPERATIONAL UNITS WITH RESPECT TO A SPECIFIC FRANCHISE  
AGREEMENT AS OF 12/31/2022**

<b>Franchisee First Name</b>	<b>Franchisee Last Name</b>	<b># of Franchise Agreements not operational</b>	<b>State</b>	<b>Zip/Postal Code</b>	<b>Contact Information</b>
Greg	Milam	1	Alabama		gregemilam@gmail.com
Mufazzel	Badani	1	Arizona		(602)363-8121
Gregorie	Demory	1	Arizona		(310) 428-8665
Andy	Swartz	4	Arkansas		(432) 638-6100
Robert	Aertker	2	California		719-641-4637
Tim	Adams	1	California		(909) 606-5100
Rajiv	Arora	1	California	95123	510-737-8778
Alex	Berman	1	California		alberman@phenixsalonsuites.com
Jasmine	Bigsby	1	California		650-804-1993
Katherine	Brooks	1	California		909-856-2392
Milad	Demetry	1	California		socal.phenix@gmail.com
Fesia	Davenport	2	California		fadesq@aol.com
Jack	Gano	2	California		714-803-5773
Shaun	Gipson	3	California		323-240-4249
Chris	Corbin	1	California		(949)278-4743
Cheryl	Kuchinka	2	California	93033	(805)864-3300
Efrain	Murillo	1	California		(831)234-2426
Kyle	Raymond	2	California		drkylerraymond@phenixsalonsuites.com
Shadi	Najjar	1	California		ssbizzz1@gmail.com
Kevin	Davis	3	California		404-983-2838
Lenise	Yarber	1	California		(310)749-6469
Farin	Abadian	1	California		(916)805-0480
Kevin	Davis	1	Conneticut		404-983-2838
Paul	Peck	1	Deleware		(410) 279-3848
Tony	Haslam	1	Florida		(252) 269-1132
Robert	Aertker	6	Florida		719-641-4637
Robert	Armstrong	3	Florida		(812) 987-3048
Kevin	Downs	3	Florida		kevind@askanadjuster.com
Shannon	Fanning	1	Florida		shannond2006@yahoo.com
Christopher	Foreman	1	Florida		Cforeman3243@gmail.com
Shawn	Foreman	1	Florida	33761	(301)922-4772
John III	Garuti	2	Florida		(347)925-0447
Miguel	Guerra	6	Florida		flicecorp@gmail.com
Paul	Peck	2	Florida		paulpeckjr@gmail.com
Lee	Przywara	2	Florida		813-786-5119
Carlos	Sousa	1	Florida		casousadc@gmail.com
Samantha	Thomas	3	Florida		Sam305-301-5801

Michael	Zorn	1	Florida		Michael.zorn12@gmail.com
Chip	Patterson	1	Georgia		(404) 557-0482
Carlos	Astolfi	2	Georgia		charlieastolfi@gmail.com
Randa	Shebly- Cobb	1	Georgia		(929)327-5916
Tony	Kephart	3	Georgia		(615) 828-1400
Scott	Martin	2	Georgia		scottm5746@gmail.com
Tim	Baumruck	1	Illinois		(847) 691-9700
John	Kunka	3	Illinois		John_Kunka@hotmail.com
Theresa	Townsend	3	Illinois		(404)683-0490
Leonard	Chitekwe-Mwale	2	Illinois		moleremoto@yahoo.com
Brian	Johnson	2	Indiana		(708) 205-5562
Doug	Cox	5	Kentucky		dc Cox@phenixsalonsuites.com
Alesha	Magby	2	Maryland		alesha.hicks@gmail.com
Kevin	Davis	1	Maryland		404-983-2838
Theresa	Townsend	2	Michigan		(404)683-0490
Michael	Volk	1	Michigan		mjvolk3@comcast.net
John	Kunka	2	Michigan		John_Kunka@hotmail.com
Steve	Peterson	1	Missouri	55305	(320)309-6086
Saager	Shah	4	Missouri		314-409-0252
Gabriel	Abrams	1	New Jersey		(718) 506-8033
Cori	Basile	2	New Jersey		(609)226-1729
Ashwin	Bhatia	5	New Jersey		(201)234-9437
Andrea	Covelli	1	New Jersey		(973)476-4607
Paul	De Falco	1	New Jersey		908-625-8874
Bavesh	Desai	3	New Jersey		(732) 423-5978
Aparatim (Roy)	Devroy	2	New Jersey		(646) 474-9116
David	Eisenman	3	New Jersey		(201) 665-3997
Shanon	Morrison	1	New Jersey		smorrison395@gmail.com
Barry	Hazlewood	1	New Jersey		barryhaze@verizon.net
Frank	Kimick	3	New Jersey		201-574-3748
Bart	Lagomarsino	1	New Jersey		908-246-7301
Brian	Philipson	1	New Jersey	7002	732-501-8925
Kevin	Hard	2	New Jersey		(914) 473-2551
Kevin	Davis	5	New Jersey		404-983-2838
Stephen	Davis	3	New York		sdrx0517@gmail.com
Demetri	Ballas	1	New York		Demetri-(516)398-8853
Laird	Ferguson	1	New York	10027	lferguson1@nyc.rr.com
Laura	Gomez	1	New York		LAURAC.GOMEZ@YAHOO.COM
Kevin	Davis	4	New York		404-983-2838
Anthony	Tarsio	1	New York		Bambrickbuilders@gmail.com
Kevin	Hard	1	New York		(914) 473-2551
Joel	Willden	1	Nevada		702-427-5273
Sam	Massih	1	Nevada		SMassih@phenixsalonsuites.com
Amber	Craig	1	North Carolina		(919)749-2312
Nelson	Duckson	1	North Carolina		732-501-8925

Greg	Rusnak	1	North Carolina		(978)729-3724
Ana Marie	Locke	2	Ohio		(330)904-9320
Sanjay	Sanata	3	Ohio		(614)560-0460
Andy	Swartz	6	Oklahoma		(432) 638-6100
Jim	McKenzie	2	Pennsylvania		724-205-8774
Scott	Kramer	3	Pennsylvania		412-953-3956
Roy	Devroy	1	Pennsylvania		(646) 474-9116
Cori	Basile	1	Pennsylvania		(609) 226-1729
Ana Marie	Locke	1	Pennsylvania		(330)904-9320
Brian	Parker	3	South Carolina		jbp.uaf@gmail.com
Scott	Martin	1	South Carolina		scottm5746@gmail.com
Henry	Brown	1	South Carolina		(864)907-1044
Greg	Brown	1	Tennessee		gbrown@phenixsalonsuites.com
Doug	Cox	9	Tennessee		(615)478-6181
Jim	Enright	1	Tennessee		(615)308-7886
Eric	Fountain	1	Tennessee		901-289-2429
Chris	Hand	2	Texas		972-310-8521
Christian	Frisch	1	Texas		(832)250-9931
Randy	Pius	3	Texas	75034	(214)762-1312
Michael	Jones	3	Texas		817-705-5543
Sadrudin	Sarfani	2	Texas		210)535-3736
Mark	To	1	Texas	77019	mark.to@mewc.biz
Gregorie	Demory	2	Texas		(310) 428-8665
Gary	Blizzard	2	Texas		(281) 252-9940
Brian	Parker	3	Utah		jbp.uaf@gmail.com
Wayne	Lynch	1	Virginia		804-647-6977
Kevin	Davis	2	Virginia		404-983-2838
Eng	Chua	1	Washington		engchua8@gmail.com
Ralph	Pryor	1	Washington		ralphcp@saddlepeakinc.com
Ashutosh	Sharma	1	Washington		happykpt21@gmail.com
Kevin	Davis	1	Washington DC		404-983-2838
Nicholas	Stauff	1	Wisconsin		262-330-4123

### **EXHIBIT F-3**

Franchisees/Developers Who Had an Outlet Terminated, Cancelled, Not renewed, or Otherwise Voluntarily or Involuntarily Ceased to do Business Under a Franchise Agreement During the Most Recently Completed Fiscal Year, or Have Not Communicated With Us Within 10 weeks of the Issuance Date of this Disclosure Document:

1. Kevin Davis  
tel. 546-281-3801  
Closed two units, 4500 East West Highway Bethesda, MD (relocation), and 4300 Portsmouth Blvd, Chesapeake, VA (relocation); Franchisee remains in the system
2. Kevin Davis  
tel. 546-281-3801  
Transferred 2 units, 4735-2A Sharon Road, Charlotte, NC and 1916 Sklibo Road, Fayetteville, NC, Franchisee remains in the system
3. David Huffman  
2836 Windstone Glen, Escondido, CA 92027  
tel. 858-248-9133  
Transferred 1 unit, Franchisee remains in the system
4. Charlie Moffett  
12411 Fielding Circle, #1407, Los Angeles, CA 90095  
tel. 562-912-4888  
Transferred 1 unit, Franchisee remains in the system
5. Robert Lee  
201 Robert S. Kerr Avenue, Oklahoma City, OK 73102  
tel. 405-834-8784  
1 unit reacquired by Franchisor, Franchisee remains in the system
6. Nita Morlock  
5020 Page Ave NE, Saint Michael, MN 55376  
tel. 612-743-3410  
2 units reacquired by Franchisor, Franchisee no longer in the system
7. Stephen Morgan  
830 14th st, Boulder CO 80302  
tel. 720-353-1620  
4 units reacquired by Franchisor, Franchisee no longer in the system

**EXHIBIT G**  
**STATE SPECIFIC ADDENDA**

## CALIFORNIA ADDENDUM

“THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.”

**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.**

- a. The franchisor, any person or franchise broker in Item 2 of the FDD is not 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.
- b. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- c. 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.).
- d. 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.
- e. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- f. The interest rate shall not exceed 10% annually.
- g. The franchise agreement requires binding arbitration. The arbitration will occur at El Paso County, Colorado with the costs being borne by each party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
- h. The franchise agreement requires application of the laws of the State of Colorado. This provision may not be enforceable under California law.
- i. No statement, questionnaire, or acknowledgment signed or agreed to by a franchise 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.
- j. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
- k. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section



20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

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

## **ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT**

Illinois law shall apply to and govern the Franchise Agreement(s).

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

Item 5 is amended to state that payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law shall apply to and govern the Franchise Agreement(s).

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

Item 5 is amended to state that payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

Section I and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first below written.

PHENIX SALON SUITES FRANCHISING, LLC

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

Name: Brian Kelley

Title: President & Chief Executive Officer

FRANCHISEE:

\_\_\_\_\_

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

**ADDENDUM TO DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law shall apply to and govern the Franchise Agreement(s).

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

Item 5 is amended to state that payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirements was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

Section I and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first below written.

PHENIX SALON SUITES FRANCHISING, LLC

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

Name: Brian Kelley

Title: President & Chief Executive Officer

FRANCHISEE:

\_\_\_\_\_

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

## **MARYLAND SUPPLEMENT TO FRANCHISE DISCLOSURE DOCUMENT**

The following Supplement modifies the Franchise Disclosure Statement with respect to Franchises offered for sale or sold in the State of Maryland, as follows:

### **Item 17(c):**

Item 17(c) is amended to disclose that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

### **Item 17(m):**

Item 17(m) is amended to disclose that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

### **Item 17(u):**

Item 17(u) is amended to disclose that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

### **Item 17(v):**

Item 17(v) is amended to disclose that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

### **Item 17(w):**

Item 17(w) is amended to disclose that, subject to the Maryland Franchise Registration and Disclosure Law, Colorado laws apply.

### **Franchisee Representations Acknowledgment**

The Franchisee Representations Acknowledgment is amended to provide as follows:

**All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of liability incurred under the Maryland Franchise Registration and Disclosure Law.**

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

**MARYLAND ADDENDUM TO  
FRANCHISE AGREEMENT**

The following Addendum modifies the Franchise Agreement (“Agreement”) with respect to Franchises offered for sale or sold in the State of Maryland, as follows:

1. Notwithstanding anything contained in this Agreement to the contrary, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section XXX.D. of the Agreement shall be supplemented by the addition of the following language at the end of the section:

A franchisee may bring a lawsuit in Maryland for claims under the Maryland Franchise Registration and Disclosure Law.

3. The Agreement is hereby amended as follows to add:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section I and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their 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.

IN WITNESS WHEREOF, this Addendum has been executed concurrently with the Agreement.

PHENIX SALON SUITES FRANCHISING  
LLC

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

Name:

Title:

FRANCHISEE/DEVELOPER:

\_\_\_\_\_

**MARYLAND ADDENDUM TO  
DEVELOPMENT AGREEMENT**

The following Addendum modifies the Development Agreement (“Agreement”) with respect to Franchises offered for sale or sold in the State of Maryland, as follows:

1. Notwithstanding anything contained in this Agreement to the contrary, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Article XII of the Agreement shall be supplemented by the addition of the following language at the end of the section:

A franchisee may bring a lawsuit in Maryland for claims under the Maryland Franchise Registration and Disclosure Law.

3. The Agreement is hereby amended as follows to add:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section I and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety.

IN WITNESS WHEREOF, this Addendum has been executed concurrently with the Agreement.

PHENIX SALON SUITES FRANCHISING  
LLC

By: \_\_\_\_\_  
Name:  
Title:

FRANCHISEE/DEVELOPER:

## MINNESOTA SUPPLEMENT TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court may require a bond.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.



## NEW YORK STATE ADDENDUM

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. 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.

6. 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.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. 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.

The Receipt shall read as follows:

New York law requires a franchisor to provide the Franchise Disclosure Document to you at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

## North Dakota Addendum to the Disclosure Document

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.) and, accordingly, as to franchises governed by the North Dakota Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

A. Restrictive Covenants: To the extent that covenants not to compete apply to periods after the term of the Franchise Agreement, they are generally unenforceable under North Dakota law.

B. Arbitration or Mediation Proceeding: The location of any arbitration or mediation proceeding shall be agreeable to by all parties and shall take place near the franchisee's place of business.

C. Restriction on Forum: If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law

D. Waiver of Trial by Jury: Any provision requiring you to waive your right to a trial by jury is unenforceable.

E. Exemplary and Punitive Damages: Any provision requiring you to waive or limit your right to exemplary and punitive damages is unenforceable.

F. Liquidated Damages and Termination Penalties: Any provision requiring you to consent to liquidated damages and/or a termination penalty is unenforceable.

G. Applicable Laws: Any provision that specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota is unenforceable.

H. Limitations of Claims: Any provision requiring a North Dakota franchisee to consent to a limitation of claims within one year is unenforceable, and the statute of limitations under North Dakota will apply.

I. General Release: A provision requiring a North Dakota franchisee to execute a general release of claims as a condition of renewal or transfer of a franchise is unenforceable.

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

NORTH DAKOTA LAW MODIFICATION

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 to 51-19-17 (1995). To the extent that the Franchise Agreement (“Agreement”) contains provisions that are inconsistent with the following, such provisions are hereby amended:

2. a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by the law of a state other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration and/or mediation involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or mediation and may not be remote from the franchisee's place of business.

f. If the Agreement requires payment of a termination penalty or liquidated damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

h. Any provision that provides that Franchisee must consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota law.

i. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota law may not be enforceable under North Dakota law.

j. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of North Dakota Franchise Investment Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

k. Section I and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety.

IN WITNESS WHEREOF, this Addendum has been executed concurrently with the Agreement.

PHENIX SALON SUITES FRANCHISING  
LLC

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

Name:

Title:

FRANCHISEE/DEVELOPER:

\_\_\_\_\_

**ADDENDUM TO DEVELOPMENT AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

NORTH DAKOTA LAW MODIFICATION

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 to 51-19-17 (1995). To the extent that the Franchise Agreement (“Agreement”) contains provisions that are inconsistent with the following, such provisions are hereby amended:

2. a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by the law of a state other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration and/or mediation involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or mediation and may not be remote from the franchisee's place of business.

f. If the Agreement requires payment of a termination penalty or liquidated damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

h. Any provision that provides that Franchisee must consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota law.

i. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota law may not be enforceable under North Dakota law.

j. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of North Dakota Franchise Investment Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

k. Section I and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety.

IN WITNESS WHEREOF, this Addendum has been executed concurrently with the Agreement.

PHENIX SALON SUITES FRANCHISING  
LLC

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

Name:

Title:

FRANCHISEE/DEVELOPER:

\_\_\_\_\_

### **Rhode Island Addendum to the Disclosure Document**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.



### **Virginia- Addendum to the Disclosure Document**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17: Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any rights given to him by any provision contained in the franchise.

These provisions supersede any conflicting provisions in the Disclosure Document.

## **Washington – Addendum to the Disclosure Document**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

## **ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

The State of Washington has a statute RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

Sections, I, II, III, and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety. The following language is hereby deleted from Section XXVII of the Franchise Agreement: "FRANCHISOR makes no warranties or guarantees upon which FRANCHISEE may rely, and assumes no liability or obligation to FRANCHISEE, by providing any waiver, approval, consent, or suggestion to FRANCHISEE or in connection with any consent, or by reason of any neglect, delay, or denial of any request therefor."

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

PHENIX SALON SUITES FRANCHISING, LLC

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & Chief Executive Officer

FRANCHISEE:

\_\_\_\_\_

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

## **ADDENDUM TO DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

The State of Washington has a statute RCW 19.100.180, which may supersede the Development 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 Development 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 Development Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Development 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 Development Agreement or elsewhere are void and unenforceable in Washington.

Sections, I, II, III, and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety. The following language is hereby deleted from Section XXVII of the Franchise Agreement: "FRANCHISOR makes no warranties or guarantees upon which FRANCHISEE may rely, and assumes no liability or obligation to FRANCHISEE, by providing any waiver, approval, consent, or suggestion to FRANCHISEE or in connection with any consent, or by reason of any neglect, delay, or denial of any request therefor."

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

PHENIX SALON SUITES FRANCHISING, LLC

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & Chief Executive Officer

FRANCHISEE/DEVELOPER:

\_\_\_\_\_

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WISCONSIN**

The following Addendum modifies the Franchise Agreement (“Agreement”) with respect to Franchises offered for sale or sold in the State of Wisconsin, as follows:

WISCONSIN LAW MODIFICATIONS

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is hereby amended to add the following provision:

For all franchises sold in the State of Wisconsin, the Company will provide Franchisee at least 90 days’ prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

3. Section I and Exhibit E of the Franchise Agreement, and Section XIV and Attachment D of the Development Agreement, are hereby deleted in their entirety.

4. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Wisconsin law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

PHENIX SALON SUITES FRANCHISING, LLC

By: \_\_\_\_\_  
Name: Brian Kelley  
Title: President & Chief Executive Officer

FRANCHISEE:  
\_\_\_\_\_

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



**EXHIBIT H**  
**RELEASE**

## RELEASE

This RELEASE (“*Release*”) is made as of the latest date set forth on the signature page hereof by PHENIX SALON SUITES FRANCHISING, LLC (“*Franchisor*”) and the undersigned person or entity (“*Franchisee/Developer*”).

### Background

A. Franchisor and Franchisee [Developer] have entered into a Franchise Agreement [Development Agreement], dated \_\_\_\_\_ (the “*Agreement*”).

B. Franchisee [Developer] desires to [transfer] [renew] its franchise/development rights or Franchisee [Developer] desires to renew the franchise relationship, and Franchisor agrees to consent to such [transfer] [renewal], subject to the conditions contained herein.

**NOW THEREFORE**, incorporating the foregoing Background herein by reference and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Termination of Agreement.** Franchisor and Franchisee [Developer] agree and acknowledge that the Agreement is hereby immediately terminated and shall be of no further force or effect.

2. **Conditions.** This Release is expressly contingent upon the execution [by the transferee][by Franchisee], concurrently with the execution of this Release, of Franchisor’s current form of Franchise Agreement [Development Agreement]. The Franchise Agreement [Development Agreement] described in this paragraph includes any ancillary agreements contained in Franchisor’s current franchise disclosure document.

3. **Release.**

(a) Franchisee [Developer], to the fullest extent permitted by law, hereby forever releases and discharges Franchisor and waives any and all rights or Claims it has, may have, had, or may have had against Franchisor, its affiliates and each of their officers, directors or employees from the beginning of time until the date of this Release, of any kind, whether known or unknown, including but not limited to any Claims arising under or related to the Agreement.

(b) As used in this paragraph 3, “Claims” means any and all manner of actions, causes of action, suits, debts, dues, sums of money, account reckonings, bonds, bills, specialties, covenants, contracts, controversies, sanctions, costs, attorneys’ fees, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, of whatever kind or nature, whether absolute or contingent, known or unknown, matured or unmatured, at law, in equity, or in any other proceeding.

(c) Nothing contained in this paragraph 3 is intended to affect the rights and responsibilities of the parties under any of the agreements described in paragraph 2 or any agreements between the parties that may be executed concurrently herewith.

4. **Representations and Warranties.** Franchisee [Developer] represents and warrants to the Franchisor as follows:

(a) The execution and delivery of this Release does not violate any law applicable to Franchisee [Developer], Franchisee's [Developer's] organizational documents, or any other agreement binding upon Franchisee [Developer].

(b) Franchisee [Developer] has the power and authority to execute and deliver this Release and has taken all necessary action (corporate or otherwise) to authorize the execution and delivery of this Release.

5. **Miscellaneous.**

(a) This Release shall be construed in accordance with and governed by the laws of the State of Colorado, without regard to its conflict of laws rules.

(b) This Release constitutes the sole agreement of the parties with respect to the subject matter hereof and thereof and supersedes all oral negotiations and prior writings with respect to the subject matter hereof and thereof. No amendment of this Release, and no waiver of any one or more of the provisions hereof shall be effective unless set forth in writing and signed by the parties hereto.

(c) This Release shall be binding upon the parties hereto and, where applicable, their respective heirs, executors, administrators, successors and permitted assigns, and shall inure to the benefit of the parties hereto and, where applicable, their respective heirs, executors, administrators, successors and permitted assigns.

**IN WITNESS WHEREOF**, the parties have caused this Release to be signed by their duly authorized representatives.

PHENIX SALON SUITES FRANCHISING, LLC

FRANCHISEE [DEVELOPER]:

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

Name: Brian Kelley  
Title: President & Chief Executive Officer  
Date:

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

Name:  
Title:  
Date:

## EXHIBIT I

### STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	July 27, 2023
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 J**  
**RECEIPTS**

RECEIPT  
(Your Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If PHENIX SALON SUITES® 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, PHENIX SALON SUITES® or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, PHENIX SALON SUITES® must provide this disclosure document to you at the earlier of your 1<sup>st</sup> 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.

If PHENIX SALON SUITES® does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A to this disclosure document.

The name, principal business address and telephone number of the franchise seller or broker offering the franchise is: Jason Rivera, Brian Kelley, Philip Watson, Lesley Hawks and/or \_\_\_\_\_, Phenix Salon Suites®, 514 Via De La Valle, Suite 203, Solana Beach, CA 92075; (719) 785-4858.

Issuance Date: April 30, 2023, amended December 1, 2023

See Exhibit A for our registered agents authorized to receive service or process.

I have received a disclosure document dated April 30, 2023, amended December 1, 2023 that included the following Exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Development Agreement
Exhibit D	Financial Statements
Exhibit E	Operations Manual Table of Contents
Exhibit F-1	Franchise Locations
Exhibit F-2	Businesses Not Yet Open
Exhibit F-3	Franchisees Who Had an Outlet Terminated, Cancelled, Not renewed, or Otherwise Voluntarily or Involuntarily Ceased to do Business under a Franchise Agreement during the Most Recently Completed Fiscal Year, or Have Not Communicated with us within 10 weeks of the Issuance Date of this Disclosure Document
Exhibit G	State Specific Addenda
Exhibit H	Release
Exhibit I	State Effective Dates
Exhibit J	Receipts

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

**THIS IS YOUR COPY. KEEP THIS COPY FOR YOUR RECORDS.**

RECEIPT  
(Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If PHENIX SALON SUITES® 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, PHENIX SALON SUITES® or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, PHENIX SALON SUITES® must provide this disclosure document to you at the earlier of your 1<sup>st</sup> 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.

If PHENIX SALON SUITES® does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A to this disclosure document.

The name, principal business address and telephone number of the franchise seller or broker offering the franchise is: Jason Rivera, Brian Kelley, Philip Watson, Lesley Hawks and/or \_\_\_\_\_, Phenix Salon Suites®, 514 Via De La Valle, Suite 203, Solana Beach, CA 92075; (719) 785-4858.

Issuance Date: April 30, 2023, amended December 1, 2023

See Exhibit A for our registered agents authorized to receive service or process.

I have received a disclosure document dated April 30, 2023, amended December 1, 2023 that included the following Exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Development Agreement
Exhibit D	Financial Statements
Exhibit E	Operations Manual Table of Contents
Exhibit F-1	Franchise Locations
Exhibit F-2	Businesses Not Yet Open
Exhibit F-3	Franchisees Who Had an Outlet Terminated, Cancelled, Not renewed, or Otherwise Voluntarily or Involuntarily Ceased to do Business under a Franchise Agreement during the Most Recently Completed Fiscal Year, or Have Not Communicated with us within 10 weeks of the Issuance Date of this Disclosure Document
Exhibit G	State Specific Addenda
Exhibit H	Release
Exhibit I	State Effective Dates
Exhibit J	Receipts

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

**THIS IS OUR COPY. PLEASE DETACH AND RETURN TO US.**