

**FRANCHISE DISCLOSURE DOCUMENT**

**THE TEN SPOT®**

**THE TEN SPOT LTD.**  
a Delaware corporation  
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We offer franchises for a beauty bar and grooming boutique under THE TEN SPOT® name and mark (each, a “Beauty Bar”) specializing in manicures, pedicures, facial treatments, body waxing and other grooming services we authorize and certain designated beauty and/or other grooming-related products that we designate or otherwise approve for retail sale from your Beauty Bar.

The total investment necessary to begin operation of a single franchised Beauty Bar is \$303,000 to \$453,000, which includes \$67,250 that must be paid to us or our affiliate(s). The total investment necessary to begin operation under a Development Agreement where you commit to develop at least three Beauty Bars ranges from \$378,000 to \$528,000, which includes a \$125,000 development fee that is paid to us and the total initial investment to begin operation of your first Beauty Bar.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Kristen Gale, c/o The Ten Spot Ltd., 10-163 Sterling Road, Toronto, ON M6R 2B2, Canada and at (416) 561-4253.

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

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

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

Issuance Date: August 19, 2021

## 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 Exhibit E.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only THE TEN SPOT 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 THE TEN SPOT franchisee?</b>	Item 20 or Exhibit E 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 F.

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

## Special Risks to Consider About *This Franchise*

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

1. Out-of-State Dispute Resolution. The franchise agreement and development agreement require you to resolve disputes with the franchisor by mediation, arbitration, or litigation only in Delaware. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Delaware than in your own state.
2. Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
3. Mandatory Minimum Payments. You must make minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
4. Short Operating History. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

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## ITEM 1

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

To simplify the language of this Disclosure Document, the “Ten Spot,” “Franchisor,” “we,” “us,” or “our” refers to The Ten Spot Ltd., the franchisor. “Franchisee,” “you,” or “your” refers to the franchisee who enters into a franchise agreement and, if applicable, development agreement with us. The franchisee may be a person, corporation, partnership, or limited liability company, in which case “you” and “your” includes the principals of the corporation, partnership, limited liability company, or other entity.

#### *Franchisor*

We are a Delaware corporation, incorporated on June 1, 2018, with a business address at 10-163 Sterling Road, Toronto, ON M6R 2B2, Canada. We do not have a principal business address in the United States, but we may establish one in the future. We do business under our corporate name, as well as our primary mark THE TEN SPOT. We have been offering franchises for the Beauty Bars since September 7, 2018. As of April 30, 2021 there were three franchised Beauty Bars in operation in the United States. We do not currently own or operate any Beauty Bars directly, but we reserve the right to do so. We have never offered franchises in any other line of business. Except as provided in this Item, we do not and have not engaged in any business activities or any other line of business. Our agents for service of process are listed in Exhibit A.

#### *Our Parents, Predecessors, and Affiliates*

Our parent is The Ten Spot USA Holdings Inc. (the “Parent”), which was incorporated in Ontario, Canada on May 31, 2018. The Parent has never offered or awarded franchises of the type being offered in this Disclosure Document or in any other line of business and, except as provided for in this Item, it is not involved in any other business activities.

Our affiliate, The Ten Spot Franchising Inc. (“Ten Spot Canada”), which was incorporated in Ontario, Canada on October 6, 2009 has offered franchises for the right to own and operate Beauty Bars in Canada since October 2011. As of April 30, 2021 there were 36 franchised Beauty Bars open and operating in Canada. Ten Spot Canada has not offered or awarded franchises in any other line of business and is not involved in any other business activities.

Our affiliate, The Ten Spot Beauty Inc. (“TSB”), which was incorporated in Ontario, Canada on September 30, 2009, has developed and may continue to develop a line of beauty products and nail lacquers that may be branded with one or more of our proprietary trademarks and service marks (“Marks”), including our current primary mark THE TEN SPOT and that our franchisees must purchase for use and resale at their respective Beauty Bars in the future. TSB has not offered or awarded franchises in any line of business and is not involved in any other business activities.

Our affiliate, The Ten Spot IP Inc. (“Ten Spot IP”), which was incorporated in Ontario, Canada on September 30, 2009, is the owner of our Marks. Ten Spot IP has granted us a license to use, and sublicense others the right to use, the Marks in connection with our franchise system. Ten Spot IP has not offered or awarded any franchises in any other line of business and is not involved in any other business activities.

Our Parent, Ten Spot Canada, Ten Spot IP and TSB each have a business address at 10-163 Sterling Road, Toronto, ON M6R 2B2, Canada.

Our affiliate, The Ten Spot Inc. (“TSI”), is a Canadian corporation in Toronto organized in May 2006 with a business address at 10-163 Sterling Road, Toronto, ON M6R 2B2. TSI may provide certain management, operational, staffing and other fixed asset support to us and our franchise system.

We have no predecessors. We do not have any other affiliates that offer franchises in any line of business or that offer products or services to our franchisees.

### *Description of the Franchised Business*

We grant franchises for the right to independently own and operate franchised Beauty Bars (each, a “Franchised Business”) under THE TEN SPOT name and mark specializing in manicures, pedicures, facial treatments, body waxing and other grooming services we authorize (collectively, the “Approved Services”) and certain designated beauty and/or other grooming-related products that we designate or otherwise approve for retail sale (collectively, the “Approved Products”). Beauty Bars utilize the Marks we designate from time to time and our proprietary system of business operations (the “System”) and operate from a location that we approve in writing (the “Premises”).

Our System is comprised of various proprietary and, in some cases, distinguishing elements such as: proprietary methodology and procedures for the establishment and operating procedures of the Beauty Bars; instructions and System standards regarding the methodology used in providing certain of the Approved Services, as well as offering and selling certain Approved Products; existing relationships with suppliers of certain of the Approved Products, as well as various items and services that must be purchased or utilized in connection with the establishment and/or ongoing operation of a Beauty Bar; site selection guidelines and criteria; standards and specifications for the design, layout and construction of the interior and exterior of a typical Beauty Bar; standards and specifications associated with trade dress and décor of a typical Beauty Bar; standards and specifications for the furniture, fixtures and/or equipment; established relationships with approved or designated suppliers for certain inventory and other supplies/ingredients necessary to provide the Approved Services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Beauty Bar. We may change, improve, further develop, or otherwise modify the System from time to time, as we deem appropriate in our discretion.

You must sign our then-current form of franchise agreement (the “Franchise Agreement”) for each Franchised Business we grant you the right to operate. Our current form of Franchise Agreement is attached to this Disclosure Document as Exhibit F. Once you have entered into a Franchise Agreement with us for your Franchised Business, we will typically designate a site selection area on Exhibit A to the Franchise Agreement wherein you must secure a site we approve for your Franchised Business and to serve as your Premises (the “Site Selection Area”). You will not be permitted to operate your Franchised Business at any location other than your Premises, which will be identified on Exhibit A after it is secured. After we have determined your Premises, we may assign you a designated territory (“Designated Territory”), which is discussed more fully in Item 12 of this Disclosure Document.

You must manage the construction and buildout activities and requirements associated with the initial establishment of your Franchised Business (the “Buildout Model”) according to the standards that we specify in our confidential and proprietary operating manuals (“Manuals”) or otherwise in writing. Under our current Buildout Model, you will: (1) pay us a Project Management Fee; (2) be responsible for working with us to provide project management in connection with the build-out of your Franchised Business; (3) independently research, evaluate and determine the third-party providers for certain of the construction and build-out related services and items; and (4) use the Approved Suppliers that we require.



### *Multi-Unit Offering*

We also offer qualified parties the right to develop three or more franchised Beauty Bars within a defined geographical area (each, a “Development Area”) under our development agreement, which is attached to this Disclosure Document as Exhibit G (the “Development Agreement”). The Development Agreement will outline a schedule or defined period of time in which you must open and commence operating each Franchised Business (a “Development Schedule”). You will typically be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement. In addition, you will eventually need to sign our then-current form of Franchise Agreement for each of the Franchised Businesses you open under the Development Schedule. Our then-current form of Franchise Agreement may differ from the version of Franchise Agreement attached to this disclosure document.

### *Market and Competition*

Your Franchised Business will offer the Approved Services and the Approved Products to the general public. The sale of these Approved Services and Approved Products is not likely seasonal in nature, but may vary slightly during the winter months in cold-weather locations. As a general matter, the salon and grooming industry is mature and highly competitive. Your Franchised Business will primarily compete with other spas, nail bars and wax bars and other businesses that offer similar services and products to certain or all of the Approved Services and Approved Products. The ability of each Beauty Bar to compete depends on adherence to our standards and guidelines, managerial abilities, focus on customer service, its location, ingress and egress, signage, parking, quality service, employee attitudes, overhead, changing local market and economic conditions, and many other factors both within and outside your control. Please note that certain competitors may offer laser hair removal services, however, our Beauty Bars do not currently include laser hair removal as part of the Approved Services.

### *Industry Specific Laws and Regulations*

Your Beauty Bar will be subject to federal, state, and local laws and regulations that are applicable to businesses generally, such as the Americans with Disabilities Act, Fair Labor Standards Act, the Occupational Safety and Health Act, Title VII of the Civil Rights Act of 1964, Family and Medical Leave Act, and various state laws governing such matters as minimum wages, overtime and working conditions. Your Franchised Business will also be subject to specific federal, state and local laws and regulations that relate to the particular nature of the beauty bar business, such as the handling, storage and disposal of hazardous chemicals, esthetician and/or cosmetology licenses and certifications. It is your sole responsibility, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time. You should consult with your attorney concerning these and other laws and ordinances that may affect your operations.

Depending on the laws and regulations of the state where your Beauty Bar is located, you may have the ability to furnish complimentary alcohol and other beverages to your clientele or, if you obtain the appropriate licensing, sell these types of beverages from your location. However, offering and selling alcoholic beverages at your Beauty Bar is not requirement of our System and is not assumed as part of our standard franchise offering. The laws and regulations governing the furnishing of alcoholic beverages to customers vary dramatically from area to area, as does the cost, procedures, and other requirements for obtaining necessary licensing. In addition, state Dram Shop laws give rise to potential liability for injuries that are directly or indirectly related to the furnishing and consumption of alcohol. You may not furnish (complimentary or for sale) food or beverages of any kind to your customers without our express prior written approval. If we do approve, you must, at your own cost and expense, investigate any attendant legal obligations and assume all obligations for full compliance with the same.



## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Kristen Gale, Chief Executive Officer, President, and Director**

Kristen Gale has served as our Chief Executive Officer, President and Director since June 2018. She has held the same position with our parent and affiliates (the “Ten Spot Companies”) since 2006. Ms. Gale is the originator of THE TEN SPOT concept and has been actively involved in all aspects of the development of our System since May 2006.

#### **Laura Wittholz, Chief Financial Officer**

Laura Wittholz has served as our Chief Financial Officer since June 2018 and was also our Chief Operating Officer from June 2018 to September 2020. Ms. Wittholz has also served as Chief Operating Officer since June 2018 and Chief Financial Officer since February 2013 of The Ten Spot Companies. Prior to that, Ms. Wittholz served as the Controller for the Ten Spot Companies from July 2011 to February 2013.

#### **Danielle Elias, Chief Operating Officer and President, Franchising**

Danielle Elias has been our Chief Operating Officer and President, Franchising since September 2020. She has held the same position with the Ten Spot Companies since September 2020. From September 2019 to August 2020, she was the Vice President, Operations of Chase Hospitality Group in Toronto, Ontario, Canada. From June 2007 to August 2019, she was the Brand Leader for MTY Group in Richmond Hill, Ontario, Canada.

#### **Leya Abramson, Chief Marketing Officer**

Leya Abramson has served as our Chief Marketing Officer since June 2020. She has held the same position with the Ten Spot Companies since September 2020. From July 2017 to June 2020, she was the Director of Marketing for Pusateri’s Fine Foods in Toronto, Ontario, Canada. From November 2012 to June 2017, she was the Director of Sales and Marketing for Swisspharme in Toronto, Ontario, Canada.

#### **Noel Modarres, Franchise Sales Manager**

Noel Modarres has served as our Franchise Sales Manager since February 2019. He has held the same position with the Ten Spot Companies since February 2019. From January 2013 to December 2018, he was the Lettings Manager for Sandersons Residential in London, United Kingdom.

#### **Leslie Elvidge, Manager of Education and Quality**

Leslie Elvidge has served as our Manager of Education and Quality since June 2018. She has held the same position with the Ten Spot Companies since May 2013.

### **ITEM 3**

#### **LITIGATION**

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

### **ITEM 4**

#### **BANKRUPTCY**

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

### **ITEM 5**

#### **INITIAL FEES**

##### Franchise Agreement

##### *Initial Franchise Fee*

You must pay us an initial franchise fee in the amount of \$50,000 (the “Initial Franchise Fee”) in a lump sum at the time you enter into your Franchise Agreement with us. This fee is deemed fully earned when paid and is non-refundable upon payment.

##### *Technology Fee*

You must pay us a monthly technology fee amounting to \$375 (the “Technology Fee”). You are required to begin paying the Technology Fee two months prior to opening for a total of \$750. These fees are deemed fully earned when paid and are non-refundable upon payment.

##### *Training Expense Deposit*

You must reimburse us for the travel, lodging and related expenses incurred by our trainers who conduct the Initial On-Site Training (as described in Item 11) at your Beauty Bar. You must pay us a deposit (the “Training Expense Deposit”), which is our estimated costs of these expenses, in a lump sum upon receipt of an invoice from us and prior to our training team conducting the Initial On-Site Training at your Beauty Bar. At the conclusion of the Initial On-Site Training, the actual travel, lodging, and related expenses of our trainers will be reconciled and you will be invoiced for the additional expenses incurred by our trainers or reimbursed for the amount by which the Training Expense Deposit exceeds the actual expenses incurred. We estimate the travel costs for our trainers will range from \$3,500 to \$6,500.

##### *Marketing and Activities Associated with Opening.*

You will be required to expend a minimum of \$10,000 in connection with the initial marketing and other necessary activities for you and the personnel of your Franchised Business to be ready to open your Beauty Bar. We may require that you pay these funds to us, and we will expend them on your behalf for the initial marketing of the Franchised Business. See Item 11.

Development Agreement

*Development Fee*

If we grant you the right to open three or more Franchised Businesses under a Development Agreement, you must pay us a one-time Development Fee upon executing your Development Agreement. Your Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the Development Area and is calculated as follows: (1) \$125,000 for the right to open three Franchised Businesses, plus an additional \$40,000 for the right to open each additional Franchised Business (up to a total of five); (2) \$35,000 per Franchised Business if you agree to open and operate between six and nine Franchised Businesses; and (3) \$30,000 per Franchised Business if you agree to open and operate ten or more Franchised Businesses. Your Development Fee will be deemed fully earned upon payment, and is not refundable under any circumstances.

If you sign our Development Agreement, you must sign our current form of Franchise Agreement for the first Franchised Business we grant you the right to open within your Development Area concurrently with the Development Agreement. You must sign our then-current form of Franchise Agreement for each Franchised Business you wish to open under your Development Agreement, but you will not be required to pay an Initial Franchise Fee at the time you execute each of these Franchise Agreements.

\* \* \* \* \*

The fees described in this Item 5 are typically uniform for all new franchisees in the system.

**ITEM 6**

**OTHER FEES**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	6% of the Gross Sales of your Franchised Business	On Thursday of each week based on the Gross Sales generated by the Franchised Business during the preceding Business Week (Sunday through Saturday)	Your Royalty Fee will begin once your Franchised Business opens. We may require you to pay your Royalty Fee and other reoccurring amounts via electronic funds transfer (“EFT”). See Notes 2, 3 and 4, including the definition for “Gross Sales”.

Name of Fee	Amount	Due Date	Remarks
Brand Fund Contribution	2% of the Gross Sales of your Franchised Business	Same interval and manner as your weekly Royalty	<p>We have established and currently maintain an advertising and brand fund (the “Brand Fund”) designed to promote, market, advertise our brand, Marks and System internationally.</p> <p>Upon 60 days’ prior written notice to you, we may (but are absolutely under no obligation to) modify your Brand Fund Contribution to be calculated based on the Gross Sales generated by your Franchised Business in an amount up to the greater of (1) up to 3% of Gross Sales; or (2) \$1,200 per month. See Notes 2, 3 and 4.</p>
Technology Fee	<p>Our then-current Technology Fee</p> <p>Currently, \$375 per month</p>	Payable on the 1 <sup>st</sup> business day of each month and starts 2 months prior to opening	We collect a Technology Fee in connection with technology products and services we determine to associate or utilize in connection with the System and we will use the Technology Fee to cover all or certain portion of the corresponding costs. If we modify the Technology Fee, we will provide you with 30 days’ prior written notice.
Intranet Access Fee	\$10 per user	Monthly, upon receipt of invoice	Payable for access to our intranet service.
Local Advertising Requirement	Currently, \$500 per month	As incurred	All advertising materials must be approved by us prior to use/publication. We may require you to provide us with monthly reports detailing your local advertising expenditures. You must report your local advertising expenditures to us on a quarterly basis. The Local Advertisement Requirement is not paid to us; however if you fail to spend the required amount, you must, at our option, spend the deficit for local marketing in the next quarter or contribute the deficit to the Brand Fund. Please see Item 11 for further details.
Training Fee for Additional and Remedial Training	<p>Our then-current training fee for the type of training at issue. Currently, we charge \$500/day per trainer for additional training that you request or remedial training that we require, plus the costs and expenses we incur</p>	Prior to trainers being sent and/or providing training	See Item 11 for additional information regarding our training programs.
Brand Trainer Training Fees	\$2,500 for the Brand Trainer training program; currently, \$500 for annual recertification	Prior to trainers being sent and/or providing training	Payable before you open your fourth Beauty Bar. Please see Item 11 for additional information on the Brand Trainer training program requirements.

Name of Fee	Amount	Due Date	Remarks
Annual Conference Registration Fee	Our then-current registration fee that we charge in connection with any annual conference we elect to conduct  Currently, we expect our conference registration fee to range from \$1,000 to \$2,000.	As incurred	We may schedule and hold an annual conference, as we deem advisable in our sole discretion, and require that you attend such conference. You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.), and we reserve the right to charge you our then-current registration fee.
Transfer Evaluation Fee	\$2,000	Payable with your transfer application	If the transfer is approved, this fee will be applied against the payment of the Transfer Fee.
Transfer Fee (Franchise Agreement and Development Agreement)	75% of the then-current initial franchise fee for new franchisees, as well as any broker fees incurred in connection with the contemplated transaction.	Payable prior to obtaining our consent to your proposed transfer	There are other conditions that you and the proposed transferee must meet in order for us to approve any proposed transfer/assignment.  If we approve your transfer, the Transfer Evaluation Fee will be credited towards the Transfer Fee owed in connection with the assignment.
Renewal Fee	50% of then-current initial franchise fee	Payable prior to us approving your renewal request	There are other conditions that you must meet in order for us to grant your request to renew your franchise.
Relocation Fee	\$1,000, plus the costs and expenses we incur in connection with evaluating and/or approving your relocation request	As arranged	We will evaluate any proposed relocation of your Premises as discussed more fully in Item 12 of this Disclosure Document.
Advertising Cooperative Fee	If such a Cooperative is established and involves your Franchised Business, then your contribution to such a Cooperative will not exceed your then-current Local Advertising Requirement	As arranged	Payable to us if we assign your Franchised Business to an Advertising Cooperative. Any payments made towards or in connection with an Advertising Cooperative we establish and/or approve will be credited against your Local Advertising Requirement. If there is an affiliate-owned Beauty Bar in your Cooperative, then our Affiliate will be able to vote on all matters that you and the other Cooperative members have the right to vote on.
New Product or Supplier Testing	Our then-current evaluation fee (estimated at \$500) and the actual costs we incur in connection with the evaluation/testing procedure	As incurred	If you propose an alternate supplier or product/service that we have not already authorized for use in connection with your Franchised Business. Please see Item 8 of this Disclosure Document for additional information.

Name of Fee	Amount	Due Date	Remarks
Violation in Connection with Mystery Shopper Program and/or other Quality Assurance Program	Then-current fee charged by our Approved Supplier (as defined in Item 8) for such program services; Currently, we reserve the right to be reimbursed the \$150 to \$175 incurred if you fail a “mystery shop” inspection	As Incurred	Payable only if such a program reveals a deficiency in operations.
<b>THE REMAINING FEES IN THIS CHART WILL TYPICALLY ONLY BE INCURRED IF YOU ARE IN DEFAULT OF YOUR FRANCHISE AGREEMENT OR ARE OTHERWISE MAKING A VOLUNTARY REQUEST TO FRANCHISOR</b>			
Audit Fees	Actual cost of audit	Within 30 days of receiving invoice	Payable if audit reveals that you have underreported the Gross Sales of your Franchised Business by 2% or more for any designated reporting period.
Interest	The greater of (a) 18% per year, or (b) the maximum rate permitted by applicable law	Upon demand	Payable on all delinquent payments. Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.
Collection Charges	Varies	Upon demand	You must pay all collection charges associated with our efforts in collecting any amounts owed to you or us under the Franchise Agreement.
Attorneys’ Fees and Costs	Will vary according to circumstance.	Upon demand	You must reimburse us for our attorneys’ fees and any court costs that we incur in connection with attempting to (or actually) enforcing or protecting our rights under your Franchise and/or Development Agreement.
Fees on Default and Indemnity	Attorneys’ fees, costs, interest, audit costs, default fees.	Upon demand	Payable in addition to other payments to us.
Indemnification	Will vary according to circumstance.	Upon demand	You must reimburse us for our attorneys’ fees and other costs that we incur in connection with any third-party claims brought against us that arise out of, or are related to, the operation of your Franchised Business.
Insurance	Cost of the premiums we obtain on your behalf.	Upon demand	If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and you must reimburse us for any premiums we incur.
Non-Sufficient Fund (NSF) or Charge	\$100	Upon demand	Payable if a check you provide to us is returned or dishonored by the bank, or if your EFT Account (see Note 2) does not have sufficient funds to cover amounts you owe under the Franchise Agreement as they become due and owing to us.



Name of Fee	Amount	Due Date	Remarks
Late Reporting Fee	\$200 per delinquent report	Upon demand	In the event you fail to send us any required reports on time, we may charge you this fee in addition to any other remedies we might have.
Management Fee	Up to 8% of the Gross Sales of your Franchised Business during the period of time we or our representative manages your Franchised Business on your behalf plus the costs and expenses we incur	As incurred	The Management Fee will only be due to us if you are in material default under your Franchise Agreement or become disabled (and unable to perform as the “franchisee” under your Franchise Agreement) and we exercise our right to temporarily operate your Franchised Business in an effort to assist in getting the operations of the Franchised Business back into compliance with the Franchise Agreement and System standards.
Unauthorized Products, Services, Suppliers or Advertising Fines	\$250 per day	Upon demand	We will fine you for each day you use unauthorized products, services, suppliers or advertising materials and collateral. We will contribute any Advertising Fines collected to the Brand Fund.
Failure to Maintain FF&E, Premises and Inventory	Reimbursement of our costs and expenses	Upon demand	Payable if you fail to cure default after 30 days for failure to maintain the Premises, all FF&E, signs and inventory to our standards and we cause such repair or maintenance to be done.

**Explanatory Notes**

1. **Generally.** Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item. Unless otherwise stated, the fees outlined in the Chart above apply to the Franchise Agreement only (and not the Development Agreement).
2. **Royalty Fee and Other Fees.** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
3. **Collection Interval.** We reserve the right to change the interval at which we collect your Royalty Fee, Brand Fund Contribution and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a monthly rather than weekly basis. Regardless, you are required to provide us with a weekly Gross Sales report detailing your Gross Sales from the preceding Business Week, along with your calculated Royalty Fee, Brand Fund Contribution (if appropriate) and other information that we reasonably require (the “Gross Sales Report”) on Thursday of each week. We may also require you

to use a Computer System and/or related software that provide us with automatic access to such Gross Sales Reports.

4. **Definition of Gross Sales.** “Gross Sales” means the total revenue generated by your Franchised Business, including all revenue generated from the sale and provision of any and all (a) Membership Programs, (b) Gift Cards and (c) other Approved Products and Services at or through your Franchised Business, as well as (d) all proceeds from any business interruption insurance related to the non-operation of your Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Gross Sales” does not include (a) tips received by personnel at your Franchised Business and not collected by your Franchised Business, (b) any sales tax and equivalent taxes that are collected by your Franchised Business for or on behalf of any governmental taxing authority and paid thereto, and (c) *bona fide* refunds issued in accordance with our then-current System standards. We have the right to modify our policies consistent with industry practices and applicable laws regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

**TABLE 7(A) - FRANCHISE AGREEMENT  
YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount (Low)</b>	<b>Amount (High)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>1</sup>	\$50,000	\$50,000	Lump sum	At signing of Franchise Agreement	Us
Project Management Fee <sup>2</sup>	\$6,500	\$6,500	As arranged	At signing of Franchise Agreement	Us
Your Travel Expenses - Corporate Training <sup>3</sup>	\$1,500	\$5,000	As arranged	As incurred	Airlines, Hotels, Restaurants and Travel Providers
Reimbursement of our Travel Expenses - Initial On-Site Training <sup>4</sup>	\$3,500	\$6,500	Lump sum	At signing of Franchise Agreement	Us
Architecture, MEP Engineering and Design <sup>5</sup>	\$9,000	\$18,000	As arranged	As incurred	Suppliers
Construction and Leasehold Improvements <sup>6</sup>	\$104,000	\$179,000	As arranged	As arranged	Suppliers
Signage Package and Signage Permit(s) <sup>7</sup>	\$15,000	\$15,000	As arranged	As arranged	Suppliers
Furniture and Equipment Package; Other FF&E <sup>8</sup>	\$50,000	\$60,000	As arranged	As incurred	Suppliers

Type of Expenditure	Amount (Low)	Amount (High)	Method of Payment	When Due	To Whom Payment is to be Made
Start-up Supplies & Esthetic Products <sup>9</sup>	\$12,000	\$18,000	As arranged	As incurred	Suppliers
Retail Opening Inventory	\$10,000	\$12,000	As arranged	As incurred	Suppliers
Marketing and Other Opening-Related Expenditures <sup>10</sup>	\$10,000	\$10,000	As arranged	As incurred	Suppliers, Personnel or Us
Professional and Accounting Fees <sup>11</sup>	\$2,000	\$5,000	As arranged	As incurred	Lawyers, Accountants and other Professional Advisors
Security Deposit and Rent – 3 months of operation <sup>12</sup>	\$8,000	\$20,000	As arranged	As arranged	Lessor/Landlord
Insurance – 3 months <sup>13</sup>	\$1,000	\$2,000	As arranged	As arranged	Insurance Provider
Business Licenses and Permits <sup>14</sup>	\$500	\$1,000	As arranged	As arranged	Government Authorities
Additional Funds – 3 months <sup>15</sup>	\$20,000	\$45,000	As arranged	As incurred	Your Personnel, Lessor, Suppliers, Utilities and other Third Parties
<b>TOTAL<sup>16</sup></b>	<b>\$303,000</b>	<b>\$453,000</b>			

**Explanatory Notes to Table 7(A) Above:**

**Generally.** Unless negotiated with a third-party, non-affiliated supplier, all payments disclosed in this Item 7 are generally nonrefundable. Please note that the estimates above are, in part, based on (1) our experience establishing, operating and franchising Beauty Bars in Canada, (2) estimates we have received from our Approved Suppliers and certain other third-party suppliers, and (3) the experience of certain of our business advisors in working with franchise brands that have a business with a similar footprint and/or business concept as the Franchised Business offered in this Disclosure Document.

1. **Initial Franchise Fee.** This fee is disclosed more fully in Item 5 of this Disclosure Document.
2. **Project Management Fee.** We will send an invoice for the Project Management Fee that you must pay upon receipt so that we may start evaluating the potential management needs associated with the establishment of your Beauty Bar within the Site Selection Area and otherwise assist you with the leasing, space planning, design, and buildout processes and the establishment of your Beauty Bar.
3. **Costs and Expenses Associated with Corporate Training.** This is our estimated range of costs to cover the travel and living expenses, including airfare, lodging and meals, which you will incur when your Principal Owner (as defined in Item 15) and Designated Manager (as defined in Item 11) attend the Corporate Training portion of our Initial Training Program as described in Item 11 that takes place at our corporate headquarters or other designated training facility we designate (in Canada or the U.S.). The cost you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend

training. This estimate does not include any wages or salary for you or your trainees during training. The low end of this estimate assumes that your Principal Owner will also serve as your Designated Manager and only one individual will attend the Corporate Training who will not need to purchase a flight to attend while the high end assumes that two individuals will attend the Corporate Training and will be required to purchase a flight to/from that training to attend. At our option, we may require your Principal Owner and Designated Manager to attend Corporate Training at our headquarters in Toronto, Canada or we may send two of our representatives to your Franchised Business to conduct the Corporate Training when they conduct the Initial On-Site Training (as described in Item 11), in which case you must reimburse us for our travel costs.

4. **Reimbursement of our Travel Expenses - Initial On-Site Training.** This is our estimated range of travel, lodging and related expenses for our training team to conduct the Initial On-Site Training at your Franchised Business. You must pay the Training Expense Deposit (which is our estimate of these expenses) upon receipt of an invoice from us and prior to our training team conducting the Initial On-Site Training at your Beauty Bar. At the conclusion of the Initial On-Site Training, the actual travel, lodging, and related expenses of our trainers will be reconciled and you will be invoiced for the additional expenses incurred by our trainers or reimbursed for the amount by which the Training Expense Deposit exceeds the actual expenses incurred.
5. **Architecture, Engineering and Design Services; Construction Site Visits.** This range is designed to cover the estimated costs associated with engaging our Approved Suppliers to provide pre-buildout services related to the buildout and design of your Beauty Bar in accordance with our then-current System standards and specifications. Such services include preparation of the initial design plans and corresponding architectural plans for the design/layout of your Beauty Bar, and visits to the contemplated Premises to analyze the space and work with our Approved Supplier of pre-buildout design services. You may experience higher costs in certain metropolitan areas; however, we do not have enough experience in these markets to reasonably include such higher amounts in the table above.
6. **Construction and Leasehold Improvements.** You will need to construct improvements or “build out” the Premises from which you will operate your Franchised Business. You may be able to negotiate various terms with your landlord, including paying for some of the build out costs for your space. Also, you may seek to finance some or all of your build out costs through your landlord or other financing sources. A variety of factors may affect the availability of landlord and other financing, the monthly overall costs of the financing, and other terms relevant to your decision whether to pay or finance the build out costs. You will be solely responsible for ensuring that you engage a licensed general contractor and any other licensed personnel to handle the buildout of your Beauty Bar, which must be approved by us through the approval process described in Item 8 of this Disclosure Document.

Your landlord may also agree to provide you with a “Tenant Improvement Allowance” or other tenant credit, whereby the landlord reimburses certain costs and expenses associated with your construction and build-out of your Franchised Business at the Premises. This estimate assumes that your Premises will be 1,300 square feet, and accounts for an estimated Tenant Improvement Allowance or other tenant credit amounting to \$40 per square foot in best case scenario and \$20 per square foot in worst case scenario, which is based on the experience of our affiliates opening, operating and franchising Beauty Bars from a similarly-sized premises and similar buildout in Canada, and estimates and other information we have received from our site selection consultants who have prior experience in securing leases that are of the same size and involving a similar buildout to what is required in connection with this franchise offering. This estimate assumes a “vanilla box” and assumes that no major HVAC installation will be required.

The costs and investment you will need to make to construct and buildout your Premises with leasehold improvements to meet our System standards and specifications will likely vary substantially based on the location, size and layout of your Premises, as well as the prevailing labor costs associated with the area surrounding your Premises. Your costs will also likely vary based on the suppliers you propose and determine to use in connection with the establishment and buildout of your Franchised Business. This estimate does not account for any labor costs where there is union labor involved.

7. **Signage Package and Signage Permits.** The cost of signage and graphics may vary from location to location depending on lease requirements, local ordinances and restrictions, location frontage, and related factors. This estimated range is intended to cover (a) the signage package you must purchase from an Approved Supplier, and (b) engaging a third-party supplier, to acquire and maintain any necessary permitting in connection with the prescribed signage for your Premises and Franchised Business generally. While we recommend you utilize our Approved Supplier for these items, this estimate assumes that you will be looking at alternative suppliers as well and possibly proposing the same for us to approve. We will not approve any other design or format for our System signage, unless you can demonstrate that a modification is necessary to comply with certain specifications of the shopping center, mall or other venue where the Premises is located and, in such an event, (a) any modification will need to be approved by us, and (b) you will need to advise us of this potential issue when submitting the Premises for our approval.
8. **Furniture and Equipment Package; Other FF&E.** You will need to purchase furniture and fixtures for the Premises that meet our System specifications. We may require that certain of the FF&E must be purchased from one of our Approved Suppliers; however, we will remain open to alternate supplier proposals. You may decide to lease the furniture and/or equipment needed rather than purchasing it with a lump sum payment. A variety of factors (such as the condition of the national and regional economy, availability of credit, number of suppliers leasing products in your area, the interest rates offered by suppliers, duration of leases offered, security requirements, and your credit history) may affect the availability of leased products, the monthly and overall costs of the leases, and other terms relevant to your decision whether to purchase or lease the furniture and/or equipment. The amounts listed are an estimate and may vary per your location and market.

You will need to purchase spa equipment and smallwares for your Beauty Bar that meet our System specifications from Approved Suppliers or designated vendors (if we choose to designate vendors for these items). Examples include wax beds, pedicure stands, manicure bar chairs and other items necessary to buildout the Premises and/or provide the Approved Services. The cost of these items will depend on the size, layout and design of your Premises.

9. **Start-Up Supplies and Esthetic Products; Retail Opening Inventory.** This estimate covers the costs to purchase an initial stock of (a) the start-up supplies and esthetic products you will need to perform certain of the Approved Services, (b) retail inventory that you can offer and resell to your clientele, which may include branded apparel, other merchandise and/or snacks and beverages, (c) employee uniforms (if required); and (d) start-up office equipment and supplies including stationery, forms, miscellaneous supplies and related items. Your specific expenditures for initial supplies and inventory (both operational and retail) will vary according to anticipated sales volume and current market prices. The cost of the employee uniforms will vary with the number of employees you hire and the items you purchase. Many of these items must be purchased from our Approved Suppliers.



10. **Marketing and Other Opening-Related Expenditures.** This range is the estimated amounts that you will typically expend in connection with (a) the initial marketing plan you develop and implement to promote the opening and initial launch of your Beauty Bar, and (b) other amounts you will incur in connection with certain pre-opening sales activities designed to generate clientele. You may be required to expend all or some portion of these funds on marketing materials and/or services that we specify or require you to engaged an Approved Supplier to provide. We may require you to pay all or a portion of these funds to us directly and we will expend these funds on your behalf.
11. **Professional and Accounting Fees.** We suggest that you consult with an attorney, accountant and/or other business advisors regarding the purchase and operation of the Franchised Business. This item includes an estimate of the cost to incorporate as an entity and an initial consultation with an accountant.
12. **Security Deposit and Rent – Three Months of Operation.** You will need to rent or acquire a building for your Franchised Business. Rent varies considerably from market to market, and from location to location in each market. This figure estimates your rent for the Premises over the first three months of your lease, and this figure assumes that you will be leasing your Premises (rather than purchasing it). You may be able to obtain rent concessions in the form of “Free Rent” or “Deferred Rent” from your landlord so that you can focus your resources during the initial months of operating your Beauty Bar on other expenses, but there is no guarantee that your landlord will agree to such an arrangement.

The costs associating with leasing the Premises will vary substantially based on various factors, which may include (a) the location of your Beauty Bar, (b) the demographics of the surrounding area, (c) prevailing rent rates in the area, (d) demand for the kind of space comprising the Premises, and (e) your negotiations with the landlord prior to entering into a lease. We strongly recommend that you consult with local business advisors and leasing agents within your contemplated Site Selection Area (or, if applicable, Development Area) before you purchase any corresponding franchise right(s) from us.

13. **Insurance.** This is an estimate of insurance premiums for the initial three months of business operation. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors.
14. **Business Licenses and Permits.** You are required to obtain all business licenses, permits, certificates or approvals before you start business. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. If you are offering alcohol from your Franchised Business as part of the Approved Products, then you must ensure that you obtain and maintain the necessary liquor, beer and/or wine license(s) and/or permits necessary to offer and sell such alcohol items from your Beauty Bar.
15. **Additional Funds – Three Months.** You will need additional capital to support on-going expenses during the initial three months after you open your Franchised Business. The estimate includes items such as payroll, royalty fees, contributions and expenditures, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, other amounts you will incur in connection with certain pre-opening sales activities designed to generate clientele and/or the Initial On-Site Training that we provide to you and your Initial Training Team (as described more fully in Item 11 of this Disclosure Document) over a period of up to ten days, and other miscellaneous items. This range does not include any draw or salary for you or your owners. These figures are estimates. In calculating this estimate, we relied on (a) our experience opening, operating and



franchising Beauty Bars using the Marks and System in Canada, (b) estimates we received from our Approved Suppliers and other third-party suppliers, and (c) the experience of our consulting team that has worked with other franchise concepts that have a similar footprint and/or industry concept.

16. **Total Estimated Initial Investment.** The figures in this table are only estimates. We do not offer direct or indirect financing to you for any items. The availability of financing through third-party lenders, if any, will depend on factors such as the lending policies of such financial institutions, the collateral you may have, your creditworthiness, and the general availability of financing. The figures quoted above are estimates only.

**TABLE 7(B) - DEVELOPMENT AGREEMENT  
YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee <sup>2</sup>	\$125,000	Lump Sum	Upon signing of Development Agreement	Us
Initial Investment to Open Initial Franchised Business <sup>3</sup>	\$253,000 to \$403,000	See Table 7(A) above in this Item.		
<b>TOTAL<sup>4</sup></b>	<b>\$378,000 to \$528,000</b>	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of three Franchised Businesses, as well as the costs to open and commence operating your initial Franchised Business for the first three months (as described more fully in Table 7(A)).		

**Explanatory Notes to Table 7(B) Above:**

1. **Generally.** All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. Table 7(B) details the estimated initial investment associated with executing a Development Agreement for the right to develop three Franchised Businesses, as well as the initial investment to open your first Franchised Business under your Development Schedule.
2. **Development Fee.** The Development Fee is described in greater detail in Item 5 of this Disclosure Document. The Development Fee in this table is for the right to develop three Franchised Businesses.
3. **Estimated Initial Investment to Open Initial Franchised Business.** This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to develop under the Development Agreement. You will be required to enter into our then-current form of Franchise Agreement for your initial Franchised Business at the same time you execute your Development Agreement. The range includes all the items outlined in Table 7(A) of this Item, except for the \$50,000 Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for the Franchised Businesses that you develop under the Development Agreement).

4. **Total.** This is the Development Fee plus our estimated initial investment to open and commence operating your initial Franchised Business within your Development Area. This range does not include any of the costs you will incur in opening any additional Franchised Businesses that you are granted the right to develop under your Development Agreement.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, which we will notify you of in writing, and you will be solely responsible for costs associated with complying with any modifications to the System.

#### Approved Products and Services

You may only market, offer, sell and provide the Approved Products and Services at your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products and Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

#### Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate. We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

As previously detailed in this Disclosure Document, you must follow our Buildout Model in connection with the construction, buildout and establishment of your Franchised Business.

As of the Issuance Date of this Disclosure Document, we have Approved Suppliers for the following items that you must purchase from: (1) design services; (2) a designated furniture, fixture and equipment package comprised of items that must be used in connection with the buildout and equipping of your Beauty Bar operation and premises; (3) branded and proprietary inventory items and/or suppliers, as well as other inventory/supply items; (4) POS system hardware and software; (5) initial and ongoing marketing, advertising and promotional materials, including those you must expend in connection with the grand opening and initial launch of your Beauty Bar; (6) music licensing services; (7) financial reporting software; (8) insurance provider; and (9) a signage package.

You must: (1) evaluate and determine what third-party suppliers you wish to provide the various services above; (2) get our approval with respect to such suppliers (as described more fully below in this

Item) before utilizing; (3) pay us a Project Management Fee as consideration for the work and assistance we provide to you in connection with the management of the various services; and (4) also agree to take on management responsibility with regards to the construction and buildout of your Beauty Bar.

As of the Issuance Date of this Disclosure Document, we are the Approved Supplier for the management and consulting services we provide in connection with your build out of the Franchised Business as consideration for the Project Management Fee. Except as provided in this Item, we and/or our affiliates are not the current Approved Supplier for any item or service you are required to purchase in connection with your Franchised Business. In the future, however, we reserve the right to designate us or any affiliate/parent of ours as the Approved Supplier for any additional or other item or service that you are required to purchase and/or utilize in connection with your Franchised Business. This includes any proprietary products we develop or have developed for use in your Franchised Business, including private-label products that bear our Marks.

As of the Issuance Date of this Disclosure Document, none of our officers own an interest in any Approved Supplier (other than us and our affiliates) from which you must directly purchase or lease in connection with your Franchised Business.

#### Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your “Required Purchases.” We estimate that your Required Purchases will account for approximately 80% to 100% of your total costs incurred in establishing your Franchised Business, and approximately 75% to 85% of your ongoing costs to operate the Franchised Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

We reserve the right to derive revenue from any of the purchases (items or services) that our System franchisees are required to make in connection with the Franchised Business. We may buy items in bulk for our company-owned Beauty Bars at a price that is lower than the price available to you. We may then sell these items to you and other franchisees at a discount or at regular retail price. In our last fiscal year ending April 30, 2021, we did not earn any revenue from our franchisees’ required purchases in the United States. In our last fiscal year ending April 30, 2021, TSI earned \$7,577 based on our franchisees’ required purchases, which is 0.64% of TSI’s annual revenues of \$1,182,813 as reported in TSI’s financial statements.

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

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval. We may provide our standards and specifications for our Approved Products and Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (1) we approve the supplier in writing; and (2) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

If you wish to offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier, you must request and obtain our approval in writing. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at

issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a Confidentiality and Non-Disclosure Agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

As previously disclosed in Item 1, we do not currently include laser hair removal as part of the Approved Services, however, you may propose such services after you have established operations of your Franchised Business so long as your proposal includes a legal opinion from your attorney that your Franchised Business will be able to provide such services from the Premises of your Franchised Business and the details of any legal requirements or regulations associated with the same. You must use our Approved Supplier and our approved equipment that you will use in providing laser hair removal services.

We will notify you in writing within 120 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

#### Gift Cards and Membership Programs

You must offer our gift cards, memberships, series and packages in your Beauty Bar, and you must purchase your gift cards from our Approved Supplier. You are also required to honor any gift cards, memberships, series and packages for payment of or discounts for services at your Beauty Bar, even if the gift card, membership, series or package was purchased at another Beauty Bar. You must comply with all applicable laws with respect to gift cards and membership programs.

#### Customer Service Policies

You are required to follow all customer service policies, including re-do policies, as we identify and modify them from time to time. Currently, you are required to honor any request for a re-do of services at your Beauty Bar in accordance with the re-do policy as set forth in the Manuals or otherwise in writing by us, which currently limits the obligation to provide re-do services when the original services were performed at your Beauty Bar.

#### Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Beauty Bars in our System. If we do establish those types of alliances or programs, we may: (1) limit the number of approved suppliers with whom you may deal; (2) designate sources that you must use for some or all products, equipment and services; and (3) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

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

We have entered into arrangements with several suppliers that have agreed to pay rebates or commissions to us based on purchases made by franchised Beauty Bars. These rebates and commissions are usually based on the amount of product ordered and can be up to 10% of the purchase price. In our fiscal year ending April 30, 2021, we received \$4,700 in rebates from suppliers to franchisees in the United States, including product suppliers, furniture suppliers, and print/marketing suppliers.

We do not currently have any purchasing cooperatives with certain suppliers, but we reserve the right to create such purchasing cooperatives in the future.

### Franchisee Compliance

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

### Insurance

You must purchase and maintain the types and amounts of insurance that we designate in our Manuals or otherwise in writing, including a commercial general liability policy with \$1,000,000 per occurrence and \$2,000,000 in the aggregate, umbrella liability coverage of \$1,000,000, workers' compensation coverage of \$1,000,000, professional liability coverage of \$1,000,000; all risk property insurance with full replacement coverage; and employers liability coverage of \$500,000, all of which we may modify from time to time as we deem appropriate in our reasonable discretion. You must furnish us with certificates of insurance (or, at our request, copies of all insurance policies), evidencing the existence and continuation of the insurance coverage required by the Franchise Agreement. All policies must contain a waiver of subrogation in our favor, and must name us and any additional parties we designate as additional insureds (except with regards to workers' compensation insurance).

### Computer Hardware and Software

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. Your Premises must have Internet Wi-Fi access that your customers can access. We may require you to purchase any of these items from one of our Approved Suppliers, and we currently have an Approved Supplier in connection with the software you must use at your Franchised Business (and maintenance/support associated with this software).

## **ITEM 9**

### **FRANCHISEE'S OBLIGATIONS**

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

<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
a. Site selection and acquisition/lease	5	Section 1	11
b. Pre-opening purchases/leases	5.03, 5.04, and 11.01	Not Applicable	5, 6, 7 and 8
c. Site development and other pre-opening requirements	5, 11.01, Exhibit B, and Exhibit D	Section 5	11
d. Initial and ongoing training	3.06, 5.06, 8, 13.02, and 14.01	Section 2	6, 7 and 11
e. Opening	5.06, 8, and 11	Section 5 and Exhibit A Section 2	11
f. Fees	3, 4.02, 11.01, 11.02, 11.03, 11.05, and 18.02	Section 2	5, 6 and 7
g. Compliance with standards and policies/Operating Manuals	7.01, 9, 10.01, 11.07, 11.08, and 13.01	Section 26	8 and 11
h. Trademarks and proprietary information	2.05, 6, 7.02, 10.02, 17.01, and Exhibit C	Section 9	13 and 14
i. Restrictions on products/services offered	13.04, 13.06 and 13.07	Section 7	8 and 16
j. Warranty and customer service requirements	11.08 and 13.11	Not Applicable	11
k. Territorial development and sales quota	2.04	Section 1 and Exhibit A Section 1	12
l. Ongoing product/service purchases	12.05 and 13.02	Not Applicable	8
m. Maintenance, appearance and remodeling requirements	4.02, 13.05, and 18.02	Not Applicable	11
n. Insurance	15	Not Applicable	6 and 7
o. Advertising	11	Not Applicable	6, 7 and 11
p. Indemnification	6.06, 13.13, 19, 20.17, and Exhibit G	Not Applicable	6



<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
q. Owner's participation/management/staffing	7.04, 8, and 13.02	Not Applicable	11 and 15
r. Records/reports	12	Section 10	6
s. Inspections/audits	12.04, 12.05 and 14.03	Not applicable	6 and 11
t. Transfer	17.07 and 18	Section 8	17
u. Renewal	4.02	Not Applicable	17
v. Post-termination obligations	7.04, 17, and Exhibit F	Section 6	17
w. Non-competition covenants	7, 17.08 and Exhibit F	Section 6	17
x. Dispute resolution	21	Sections 12, 13, and 14	17
y. Personal Guaranty	13.13 and Exhibit G	Not Applicable	15

### **ITEM 10**

### **FINANCING**

Neither we, nor our affiliates or agents offer direct or indirect financing to franchisees, nor do we guarantee your obligations.

### **ITEM 11**

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

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

A. **Pre-Opening Obligations**

Prior to the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

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

2. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each of your Franchised Businesses. We reserve the right to review any proposed lease or purchase agreement for each location that you propose as a Premises for any Franchised Business, and we may condition our

approval of any proposed Premises on the corresponding agreement containing certain terms we describe more fully in this Item, including the Lease Addendum attached to your Franchise Agreement as Exhibit B. (Franchise Agreement, Sections 2.03 and 5.01);

3. Once you secure an approved Premises from which to open and operate your Franchised Business, we will define your Designated Territory for that Franchised Business and include its boundaries in Exhibit A to your Franchise Agreement. (Franchise Agreement, Section 2.04);

4. We will provide you with online access to, or otherwise loan you, one copy of the Manuals. You must operate your Franchised Business in accordance with the Manuals and all applicable laws and regulations. The Manuals may be amended or modified by us to reflect changes in the System. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. The table of contents for our Manuals as of the Issuance Date of this Disclosure Document is attached to this Disclosure Document as Exhibit C, and the Manuals collectively have approximately 1,000 pages. Please note that certain portions of the Manuals may be provided via update or communications from or be set forth on a website or web portal that is controlled and/or registered to us (each, a “System Site”), and you will be solely responsible for ensuring compliance with these “online” portions of the Manuals as well. (Franchise Agreement, Section 9);

5. We will provide you with a list of our Approved Products and Approved Suppliers (to the extent we have designated them) and specifications for the Approved Products (to the extent we have them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Sections 13.04, 13.06, and 13.07);

6. We will provide you with specifications for fixtures, furnishings, equipment, and signage (to the extent we have them), including the names of Approved Suppliers (to the extent we have designated them); however, we do not supply these items directly nor do we assist with delivery or installation. (Franchise Agreement, Sections 13.04, 13.05, and 13.07);

7. We and/or our Approved Supplier will review and approve the proposed layout and design of your Premises as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Section 5.01, 5.04 and 5.06); and

8. We will provide our initial training program as described in more detail in this Item below (Franchise Agreement, Section 8).

#### B. Post-Opening Obligations

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We may offer, and require you and your Designated Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). (Franchise Agreement, Section 8.03);

2. We may provide you with continuing consultation and advice, as we deem necessary in

our sole discretion, regarding the management and operation of the Franchised Business. (Franchise Agreement, Section 8.03);

3. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Sections 6 and 11);

4. We will provide you with a list of our Approved Products and Approved Suppliers (to the extent we have designated them) and specifications for the Approved Products (to the extent we have them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Sections 13.04, 13.06, and 13.07);

5. We will approve or disapprove your requests to purchase and/or offer non-approved products or services in connection with the Franchised Business; and make required purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 13.08);

6. We may schedule and hold a franchise conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five days each year, and it may be combined with our affiliate’s annual System conference for Canadian Beauty Bar owners. You will responsible for the costs and expenses you incur in connection with any franchise conference and you will be required to pay our then-current attendance/registration fee. As of the date of this disclosure document, we have not established a conference fee. However, as disclosed in Item 6, we expect our conference registration fee to range from \$1,000 to \$2,000. (Franchise Agreement, Section 8);

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

8. We currently administer and maintain the Brand Fund for the benefit of the System. (Franchise Agreement, Sections 4, 11.02 and 11.03);

9. We may, as we deem appropriate in our discretion, establish and maintain a website or other online portal of any kind that will be accessible by our franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one or more Manuals, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Beauty Bar. (Franchise Agreement, Sections 9.01 and 10.02);

10. We may conduct, as we deem advisable in our sole discretion, inspections of the Premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Sections 12.04 and 14.03);

11. We may supplement, revise or otherwise modify the Manuals and/or a website portal as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including

mail, e-mail and our website portal. (Franchise Agreement, Section 10.02); and

12. We may research new services, products and equipment and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and create and develop additional products and services to be offered or provided as Approved Products and Services at Beauty Bars, including proprietary products and services that may be sold under the trademarks we designate. (Franchise Agreement, Section 10.02).

### C. Site Selection

You must assume all costs, liabilities, expenses and responsibility for: locating, obtaining and developing a Premises for your Franchised Business; and constructing, equipping, remodeling and/or building out the Premises for use as a Franchised Business, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Premises of your Franchised Business. We may require you to use our Approved Supplier for site-selection assistance. (Franchise Agreement, Section 5.01).

In deciding whether to approve a site, we may also consider, among other things: demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; competition from other businesses selling similar grooming services and/or products within the area, along with the proximity of the Premises to these businesses and the nature of all other businesses in proximity to the proposed site; zoning restrictions, soil and environmental issues, and other commercial characteristics; and the size, appearance, and other physical characteristics of the proposed site.

We must also have the opportunity to review any lease or purchase agreement for the proposed Premises (“Lease”) before you enter into such an agreement. You must ensure that: (1) you and the landlord of the Premises enter into a form of addendum to or otherwise integrate the terms of that addendum (collectively, the “Lease Addendum Terms”), which includes (without limitation) a collateral assignment of lease and other entry rights upon termination or expiration of your Franchise Agreement, into the lease or other occupancy agreement for the Premises; and (2) you receive a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including offering and selling the Approved Services and Approved Products, throughout the term of your Franchise Agreement. As part of the Lease Addendum Terms, we will have the option, but not the obligation, to assume or renew the Lease for the Premises for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default. (Franchise Agreement, Section 5.03; Exhibits B and D to Franchise Agreement).

We will use reasonable efforts to approve or reject any proposed site (and corresponding lease/purchase agreement) within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (1) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (2) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. Our approval only means that the site meets our minimum requirements for a Franchised Business. (Franchise Agreement, Section 5.01).

You must secure a Premises that we approve within nine months of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement. (Franchise Agreement, Section 5.02).

If you are developing multiple Beauty Bars under a Development Agreement, our then-current site selection requirements will apply to each Franchised Business you open.

D. Time to Open

*Single Franchised Business*

You must open and commence operations of your Franchised Business within the earlier of five days after we notify you that you have completed the necessary actions to open your Beauty Bar or one year from the date you execute your Franchise Agreement for that Franchised Business. If you do not open or operate your Franchised Business within this time period, then we may terminate your Franchise Agreement. We estimate that it will take between six to twelve months to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Premises, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed prior to opening. (Franchise Agreement, Section 5.06).

*Multi-Unit Development under Development Agreement*

If you have entered into a Development Agreement to open and operate multiple Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule may depend on the number of Franchised Businesses you are granted the right to open and operate. (Development Agreement, Section 5). If you fail to open any Franchised Business within the appropriate time period outlined in the Development Agreement, we may terminate your Development Agreement. (Development Agreement, Section 6.2). You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Franchised Businesses that were already open and operating under a Franchise Agreement as of the termination date. We must approve of the Premises you choose for each Franchised Business you are required to open under the Development Agreement.

E. Training Programs

Initial Training Program

Our initial training program is comprised of: (1) certain “Classroom Training” that your Principal Owner and your Designated Manager (as defined below) will have remote access to and must complete online via webinar or other learning management system we designate to monitor/track participation and progress, and/or test competency levels, if and as we determine appropriate (collectively, the “Remote Training”); (2) additional “Classroom Training” and hands-on training that we will provide to your Principal Owner and your Designated Manager over a period of typically five days at our corporate headquarters, your Franchised Business, or other designated training location (in the United States or Canada) (which we refer to as our “Corporate Training”); and (3) on-site training, assistance and support

that your Principal Owner, Designated Manager, estheticians and other personnel that will be involved in the initial operations of the Beauty Bar (the “Initial Training Team”) must participate in and complete to our satisfaction before you open your Franchised Business (the “Initial On-Site Training”). We reserve the right to administer any aspect of our initial training program virtually. (Franchise Agreement, Sections 3 and 8).

We may require you to meet certain conditions prior to attending the Corporate Training or Initial On-Site Training including: (1) expending the required amounts on the marketing and pre-opening sales activities we designate or otherwise approve in connection with your initial marketing plan, your lead generation efforts and the Initial Training Team’s participation in the Initial On-Site Training that will be provided at your Premises; (2) undertaking all steps to establish and provide us with access to your EFT Account consistent with your Franchise Agreement; (3) demonstrating that you have obtained all required insurance coverages; and (4) providing us with completed and signed copies of all agreements and contracts that are attached as exhibits to your Franchise Agreement, to the extent such documents have not been signed or need to be updated or completed at that time (collectively, the “On-Site Training Pre-Conditions”). (Franchise Agreement, Section 8.01).

You must appoint a manager approved by us to run the day-to-day operations of the Franchised Business (the “Designated Manager”). Your Principal Owner may serve as your Designated Manager if approved by us. The Designated Manager must participate in and complete all components of the initial training disclosed above that we designate. (Franchise Agreement, Section 13.02). With that said, we may permit or require that your Principal Owner, your Designated Manager and/or technicians/personnel to attend all or certain components of the Remote Training and/or Initial On-Site Training that are designed to cover the areas of instruction that are more specific to the roles and corresponding responsibilities you have identified for these individuals.

You are also solely responsible for all costs and expenses you (and your personnel) incur in connection with completing the appropriate Remote Training, Corporate Training and Initial On-Site Training, including employee wages. You must reimburse us for our representatives’ travel costs including travel, lodging and meals for the Initial On-Site Training and if we conduct the Corporate Training at your Franchised Business when we conduct the Initial On-Site Training. In the event we determine that your Initial Training Team needs more than ten days of Initial On-Site Training based on our representatives’ reports and/or your team’s competency testing results, we may require that your Initial Training Team participate in and complete additional Initial On-Site Training beyond ten days. You must cover or reimburse the costs that we incur in connection with our representatives providing such additional on-site instruction and assistance, including additional travel, lodging and meals over that additional time period.

We provide the training program on an as needed basis throughout the year. You must complete Remote Training within 30 days after signing the lease for the Franchised Business; Corporate Training at least 30 days prior to opening; and Initial On-Site Training around two weeks prior to the contemplated opening of a given Franchised Business, and you may not open the Franchised Business until you have completed all initial training described in this Item (unless we agree otherwise in writing). Failure to complete all required initial training to our satisfaction prior to the date you are required to open your Beauty Bar gives us the right to terminate the Franchise Agreement. (Franchise Agreement, Section 8.01).

Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the initial training program. The initial training program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well as changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained.



Our training program will be supervised by Leslie Elvidge, our Manager of Education and Quality, who has over eight years of training experience with our brand and affiliates and over 18 years of training experience in the esthetics industry and marketplace generally. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will typically have at least one year of experience in the subject matters that they teach. We will loan you one copy of our proprietary instructional materials prior to or upon your attendance at our initial training program, which may include our Manuals and certain other instructional materials that we develop.

Once we provide you and your Initial Training Team with Initial On-Site Training at your Premises, your Principal Owner or your Designated Manager will be solely responsible for training all subsequent personnel that work at your Franchised Business. (Franchise Agreement, Section 8).

The details of our Initial Training Program are set forth in the Chart below.

### **TRAINING PROGRAM**

#### **PRINCIPAL OWNER ORIENTATION TRAINING**

<b>SUBJECT</b>	<b>CLASSROOM TRAINING HOURS</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Orientation and Onboarding	2	0	Remotely Provided
Real Estate and Construction Orientation	1	0	Remotely Provided
Marketing and Brand Standards	2	0	Remotely Provided
Leadership, Culture, and HQ Support	2	0	Remotely Provided
Roles and Goals	4	0	Remotely Provided
THE TEN SPOT Guest Experience	2	0	Remotely Provided
<b>TOTAL</b>	<b>13</b>	<b>0</b>	

#### **PRINCIPAL OWNER/DESIGNATED MANAGER COMPONENT**

<b>SUBJECT</b>	<b>CLASSROOM TRAINING HOURS</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Welcome to THE TEN SPOT® and Operations Presentation	2	0	Remotely Provided
Overview of Manual	2	0	Remotely Provided
Culture and Experience Associated with Engaging and Developing Personnel	1	0	Remotely Provided
Ordering Supplies / Retail + Vendors	1	0	Remotely Provided
Inventory Management and Merchandising	1	0	Remotely Provided

<b>SUBJECT</b>	<b>CLASSROOM TRAINING HOURS</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Financial Reporting , Budgeting and Benchmarking	2	0	Remotely Provided
Guest Care / Customer Service	1	0	Remotely Provided
Spa Software Training	6.5	0	Remotely Provided
Sales and Marketing	3	0	Remotely Provided
Training Provided at and from Corporate Training Location Designated by Us (Corporate Training)	24	0	Our corporate headquarters in Toronto, Canada or other training facility we designate.
Pre-Opening obligations and Business Setup Lesson	1	0	Remotely Provided
Job and Staff Training	0	80	Your Premises as part of Initial On-Site Training
Post Opening Teachings	5	0	Remotely Provided
<b>TOTAL</b>	<b>49.5</b>	<b>80</b>	

**ESTHETICIAN-RELATED TRAINING**

<b>SUBJECT</b>	<b>CLASSROOM TRAINING HOURS</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Welcome to THE TEN SPOT Core Values	2	0	Remotely Provided
Software, Guest Care, Protocol Training	22	0	Remotely Provided
Onsite	0	64	Your Premises
<b>TOTAL</b>	<b>24</b>	<b>40</b>	

**GUEST COORDINATOR TRAINING**

<b>SUBJECT</b>	<b>CLASSROOM TRAINING HOURS</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Welcome to THE TEN SPOT and Core Values	2	0	Remotely Provided
Software, Guest Care, Protocol Training	22	0	Remotely Provided
Onsite	0	40	Remotely Provided
<b>TOTAL</b>	<b>24</b>	<b>40</b>	

### Additional Training

We may offer, and require your Principal Owner and your Designated Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our classes, we may require that your Principal Owner and your Designated Manager attend up to five days of Additional Training each year at our headquarters or other location we designate. You will be required to pay our then-current Additional Training Fee (currently \$500/day) for any Additional Training you and your employees request to attend and any Remedial Training that we require. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Section 8.03).

We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, intranet communication, video conference, or any other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit. (Franchise Agreement, Section 8.03).

We may also provide you with additional on-site assistance and/or training, subject to the availability of our field representatives and, upon our request, payment of our then-current Additional Training Fee in connection with any: (1) additional training or on-site assistance that you request we provide; (2) any Remedial Training your Principal Owner or your personnel are required to attend; and/or (3) any training that we provide to any replacement personnel, including any Corporate Training that such personnel must receive prior to undertaking any corresponding duties or responsibilities at your Beauty Bar. (Franchise Agreement, Section 8).

### Brand Trainer Training Program

Before you open your fourth Beauty Bar, you must designate a “Brand Trainer” that we approve who will be the person responsible for training the lead estheticians of your Beauty Bars. We will provide a training program for your Brand Trainer. Each Brand Trainer you hire must complete our Brand Trainer training program and you must pay us our then-current Brand Trainer Training Fee (currently, \$2,500). Brand Trainers must be recertified annually and you must pay our then-current recertification fees (currently, \$500). The details of the Brand Trainer Training Program are set forth below:

#### **BRAND TRAINER TRAINING PROGRAM**

<b>SUBJECT</b>	<b>CLASSROOM TRAINING HOURS</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Welcome to THE TEN SPOT® + Core Values	2	0	Remotely Provided
Role + Challenges + People Management	1	0	Remotely Provided
Training Material + Processes Review	6	0	Remotely Provided
Software Training	1	0	Remotely Provided

<b>SUBJECT</b>	<b>CLASSROOM TRAINING HOURS</b>	<b>HOURS OF ON THE JOB TRAINING</b>	<b>LOCATION</b>
Practical Training	0	24	Remotely Provided
Shadowing of a Certified Trainer	0	80	Shadowing of a Certified Trainer
Final Exam/ Certification	2	0	Remotely Provided
<b>TOTAL</b>	<b>12</b>	<b>104</b>	

F. Advertising

*Local Advertising.* We require that franchisees spend at least \$500 per month on local advertising and promotions (the “Local Advertising Requirement”). (Franchise Agreement, Section 11.04). You may be required to expend all or any portion of your Local Advertising Requirement on materials, products and services that are provided by our Approved Suppliers.

All advertising and promotion that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 11). You will be required to purchase and display any signage in certain parts of your Franchised Business that have high visibility for purposes of notifying customers and prospective customers of specials/promotions regarding our Approved Products and Services. (Franchise Agreement, Sections 6 and 11).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least 30 days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of 90 days, unless we prescribe a different time period for use or require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 11). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

*Marketing and Activities Associated with Opening.* In addition to the Local Advertising Requirement, you will be required to expend a minimum of \$10,000 in connection with the initial marketing and other necessary activities for you and the personnel of your Franchised Business to be ready to open your Beauty Bar. We expect you will expend these amounts within the period that typically commences around 90 days prior to the contemplated opening of your Beauty Bar and typically ending around 90 days following that opening. We may require that you expend any portion of these funds on products and services that you must purchase from our Approved Suppliers. We may require that you pay these funds to us, and we will expend them on your behalf for the initial marketing of the Franchised Business. (Franchise Agreement, Sections 8.01(b) and 11.01).

*Brand Fund.* We have established the Brand Fund for the worldwide benefit of the System and brand generally. Contributions are currently made to the Brand Fund by US and Canadian Beauty Bars. We currently require that you contribute to this Fund at the same time and same manner that we collect your Royalty Fee in an amount equal to 2% of the Gross Sales of your Franchised Business (the “Brand Fund Contribution”). Upon 60 days’ prior written notice, we may modify how we calculate your Brand Fund Contribution so that it amounts to the greater of (1) 3% of the weekly Gross Sales of your Franchised Business; or (2) \$1,200 per month.

We will administer and use the Brand Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System. We will designate all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Brand Fund may also be used to cover the costs and fees associated with: preparing and producing video, audio, and written materials and electronic media; website maintenance and development, internet advertising, administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, website, radio and other median advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Brand Fund may be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as we deem appropriate in our discretion. We and/or a regional or national advertising agency may be used to produce all advertising and marketing. (Franchise Agreement, Section 11.03).

We will account for the Brand Fund contributions separately from our other funds and not use the Brand Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Fund contributions. The Brand Fund is not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Brand Fund or any other reason. The Brand Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest, determined from time to time by us, which provides us with a return commensurate with the prevailing interest rate charged by persons in the business of lending money under similar circumstances) to cover deficits, or invest any surplus for future use. We will use interest earned on Fund contributions to pay costs before spending the Brand Fund's other assets. We will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises, except that we may use/display the phrase “Franchises Available” on any and all advertising/marketing that is covered by the Brand Fund. We may incorporate the Brand Fund or operate it through a separate entity if we deem appropriate. Our affiliate-owned Beauty Bars will contribute to the Brand Fund in the same manner that each franchised Beauty Bar is required to contribute.

We are not required to spend any of your Brand Fund Contributions or any other amount on advertising in the Designated Territory you are granted under your Franchise Agreement your contributions to the Brand Fund shall be combined with contributions to the Brand Fund by Beauty Bars located in Canada and other countries. We will provide you with an accounting of the Brand Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Brand Fund audited, but we may do so and use the Brand Fund Contributions to pay for such an audit. If we do not spend all Brand Fund Contributions in a given year, we may rollover any excess contributions into the Brand Fund for use during the following year. We will have the right to modify or discontinue the Brand Fund, as we deem appropriate in our sole discretion. (Franchise Agreement, Section 11.03).

In our 2021 fiscal year, Fund expenditures were for media and public relations (39%), point of purchase items, artwork, and packaging (27%); partial reimbursement of marketing salaries (25%); website development and content (6%); and administrative expenses (3%).

*Advertising Council.* Currently, we have not established an advertising council (the “Advertising Council”), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Brand Fund (if established in the future). At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time. (Franchise Agreement, Section 11.05).

*Regional Advertising Cooperatives (“Cooperatives”).* We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two or more Beauty Bars (whether a Franchised Business or Affiliate-owned) (each a “Cooperative”). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Beauty Bar owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Beauty Bars within the geographical boundaries of the Cooperative. If you are designated as a member of a Cooperative, you may be required to contribute to the Cooperative in an amount not to exceed the then-current Local Advertising Requirement. All amounts paid to a Cooperative will be credited toward your Local Advertising Requirement. We have not established any Cooperatives as of the Issuance Date of this Disclosure Document. We reserve the right to establish the governing rules, terms, and operating procedures of any Cooperative and make them available for your review. (Franchise Agreement, Section 11.04).

*Online Directories.* As another means of advertising, you must ensure that the Franchised Business is listed in appropriate Internet-based telephone directories that we designate. You must ensure that your Franchised Business has a dedicated telephone line that is not used for any other purpose.

#### G. Website and Internet Use

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Instagram, LinkedIn, Instagram, Pinterest, TikTok, Twitter, YouTube or any other social media and/or networking site. Any such Internet website or presence is considered “advertising” and must be approved by us prior to use, as described in this Item. If we do permit you to establish one or more of the above presences on the Internet, you must: (1) establish and operate your World Wide Web or Internet site in accordance with System standards and any other policies we designate in the Manuals or otherwise in writing from time to time; and (2) utilize any templates that we provide to you to create and/or modify such sites. You must not register any Internet domain name that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words. (Franchise Agreement, Section 11.06).

We have the right to establish and maintain a primary website, that may, without limitation, promote the Marks and/or the System (the “Website”), including the contact information of your Franchised Business. We also have the right to discontinue operation of the Website at any time without notice to you.

#### H. Computer and Point of Sale System

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, which currently includes:



(1) a desktop computer for the front desk that meets our System specifications and standards, including the ability to operate the designated software used for clientele scheduling, point of sale and other required functions; (2) a laptop computer for employee check-in; (3) an additional laptop or other computer for the Principal Owner or the Designated Manager to use for bookkeeping and all back-of-house operations; (4) a tablet; and (5) a printer and other peripheral hardware/devices (collectively, the “Computer System”). We may also require you to use designated software in connection with the Computer System and Franchised Business (the “Required Software”). (Franchise Agreement, Section 12.06).

In addition to the Computer System above, you will need to purchase and maintain the designated audio system, video camera(s) and other security system components. We must approve of all of the foregoing hardware before it is used in connection with your Franchised Business, and none of the foregoing hardware may be used for any other purpose other than operating your Franchised Business. You will also need to maintain Internet access via a high speed connection such as DSL or cable broadband. (Franchise Agreement, Section 12.06).

If you already have certain computer hardware and/or software that meet our then-current standards for a Computer System and/or Required Software, then you may use these items in connection with your Franchised Business provided you obtain our approval. Otherwise, we estimate the costs to purchase our current Computer System to be between \$3,500 and \$5,500. You must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. You must use our designated point of sale software and pay to our Approved Supplier a \$250 initial licensing fee and a monthly licensing fee, which is currently \$249. We estimate that you will spend approximately \$500 to \$2,000 annually on maintenance and support contracts for your Computer System, which includes any upgrades to the Computer System. The Computer System range does not include the investment associated with the security or sound system you must purchase and utilize in connection your Beauty Bar operations. We and our affiliates have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to the Computer System.

You must have the components necessary to ensure that the entire Premises of the Franchised Business has access to the Internet via Wi-Fi connection. We may require that you comply with our standards and specifications for Internet access and speed and the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary). There are no contractual limitations on our right to access the information and data on any component of your Computer System. We may also require you to use a Computer System and/or related software that is administered through us and provides us with automatic access to all data and reports that might be created by such Computer System and/or software, including any security camera footage. (Franchise Agreement, Section 12.06).

You are also required to participate in any System-wide area computer network, including any System Site that you are provided access to as our System franchisee, that we implement, and may be required to use such networks or website portal to, among other things: (1) submit your reports due under the Franchise Agreement to us online; (2) view and print portions of the Manuals; (3) download approved local advertising materials; (4) communicate with us and other System franchisees; and (5) complete certain components of any ongoing training we designate. (Franchise Agreement, Sections 9.01 and 10.02).



## ITEM 12

### TERRITORY

#### Premises and Relocation

You may only operate your Franchised Business from the Premises we approve. Once we agree on the Premises, we will designate it on Exhibit A attached to your Franchise Agreement.

You may not relocate your Franchised Business without our written consent, which we will not unreasonably withhold provided: (1) the new location is located within your Designated Territory and meets our then-current criteria for a Premises; and (2) you pay our then-current relocation fee (if any). When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate. We will not unreasonably withhold our approval of your relocation request, provided the location meets our site selection criteria.

#### Franchise Agreement: Designated Territory

Once you have secured the Premises of your Franchised Business, we will define the Designated Territory on Exhibit A attached to your Franchise Agreement. Your Designated Territory will typically be a one mile radius around your Premises, unless your Franchised Business is located in a major metropolitan downtown area or similarly situated or densely populated area. If your Franchised Business is located in such an area, then your Designated Territory may be limited to the geographic area comprised of anywhere from a radius of two blocks to one mile around your Premises, as we deem appropriate in our discretion. The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Premises.

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

During the term of your Franchise Agreement, we will not open or operate, or license a third party the right to open or operate, any other Beauty Bar utilizing the Marks and System within your Designated Territory. Your Designated Territory cannot be modified except by mutual written agreement signed by both parties. 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. See our reserved rights in your Designated Territory below.

There are no territorial restrictions from accepting business from customers that reside/work or are otherwise based outside of your Designated Territory if these customers contact you and/or visit your Franchised Business. You may solicit prospective customers outside of your Designated Territory, provided these prospective customers do not reside within the territory granted to another franchisee or Beauty Bar and you obtain our prior written consent. You may not use alternative channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make any sales inside or outside of your Designated Territory.

### Development Agreement: Development Area

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

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated from a distinct Premises located within the Development Area and within its own Designated Territory that we will define once the Premises for that Franchised Business has been approved.

We will not own or operate, or license a third party the right to own or operate, a Beauty Bar utilizing the Marks and System within the Development Area until the earlier of: (1) the date we define the Designated Territory of the final Franchised Business you were granted the right to operate under the Development Agreement; or (2) the expiration or termination of the Development Agreement for any reason.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will be terminated, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Designated Territories that were granted under the Franchise Agreement(s) you entered into for those Franchised Business(es).

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

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. See our reserved rights in your Development Area below.

### Reserved Rights

We, our parent, and/or affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Development Agreement (as applicable): (1) establish and operate, and license any other party the right to establish and operate, Beauty Bars using the Marks and System at any location outside of your Designated Territory(ies) and, if applicable, Development Area; (2) market, offer and sell products and services that are similar to the products and services offered by Beauty Bars under a different trademark or trademarks at any location, within or outside your Designated Territory(ies) and Development Area; (3) use the Marks and System, and other such marks we may designate, to distribute the Approved Services and/or Approved Products, or similar products and services to those offered at Beauty Bars, in any alternative channel of distribution, within or outside your Designated Territory(ies) and Development Area, if applicable, (including through the Internet, traditional retail outlets, mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (4) to acquire, merge with, or otherwise affiliate

with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), within or outside your Designated Territory(ies) and, if applicable, Development Area; (5) establish and operate, and license any other party the right to establish and operate, businesses using the Marks and System in your Designated Territory(ies) or the Development Area, if applicable: (i) that provide mobile services and do not operate from a fixed location; or (ii) that are located in “Non-Traditional Sites” including, but not limited to, amusement parks, military bases, college campuses, hospitals, airports, train and other transportation centers, sports arenas and stadia and any other kind of captive venue, travel plazas, toll roads, both within or outside the Designated Territory, or the Development Area, if applicable, and (6) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if applicable, your Development Agreement.

Neither the Franchise Agreement nor the Development Agreement grants you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our parent, our other affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternate channels of distribution) within your Designated Territory. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to operate Beauty Bars at Non-Traditional Sites, either directly or through our parent, our affiliates, licensees, or designees, and you will not be entitled to any compensation as a result of our operation of Beauty Bars at Non-Traditional Sites.

Additional Disclosures

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


Although we reserve the right to do so, we have not established, and have no plans to establish, other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark.

**ITEM 13**


**TRADEMARKS**

We grant you a limited, non-exclusive license to use our then-current Marks in connection with the operation of your Franchised Business only at your Premises and within your Designated Territory, provided you use these Marks as outlined in your Franchise Agreement(s) and our Manuals. You do not obtain any additional rights to use any of our Marks under any Development Agreement you enter into. Ten Spot IP, has registered the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

<b>Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>
THE TEN SPOT	4,504,323	April 1, 2014
10 SPOT	4,920,389	March 22, 2016
THONGKINI	4,920,390	March 22, 2016
BRAZILLY	4,920,391	March 22, 2016
BUMKINI	4,920,392	March 22, 2016

<b>Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>
X.	5,478,216	May 29, 2018
	6,337,558	May 4, 2021
FEEL LIKE A TEN	5,824,001	August 6, 2019

Ten Spot IP, has applied to register the following Marks on the Principal Register of the USPTO:

<b>Mark</b>	<b>Serial Number</b>	<b>Filing Date</b>
10SPOTTERS	88/085,019	August 20, 2018
	87/405,115	April 10, 2017

Since Ten Spot IP does not have a federal registration for these two principal trademarks, these trademarks do not have many legal benefits and rights as federally registered trademarks. If our right to use the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Ten Spot IP has licensed to us the right to use the Marks, and to sublicense them to our franchisees, under a license agreement, which was made effective as of June 1, 2018. The term of the license agreement is indefinite, but either we or Ten Spot IP may terminate the license agreement with or without cause on 30 days' written notice. In the event of termination, Ten Spot IP will assume all of our rights and obligations regarding the Marks under any franchise agreements then in effect. Except for the license from Ten Spot IP to us with respect to the Marks, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We have worked, and will continue to work, with Ten Spot IP to ensure that all required affidavits pertaining to these registrations have been filed or will be filed by the deadlines for our then-current Marks. We reserve the right in our sole discretion to cease use of any trademark. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending infringement, opposition, or cancellation proceedings involving the Marks. There are no pending material federal or state court litigation regarding our use or ownership rights in any of the Marks. To our knowledge, there are no infringing uses that could materially affect your use or ownership rights in the Marks or our rights in the Marks.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our affiliate's ownership of, our right to use and to license others to use, or your right to use, the Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we, in our sole discretion, determine that you have used the Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement; however, our liability will be limited to the amount of the Initial Franchise Fee that you paid. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement.

We reserve the right, at our sole discretion, to modify, add to, or discontinue use of the Marks, or to substitute different Marks for use in identifying the System and the businesses operating under these marks. You must comply with any changes, revisions and/or substitutions at your sole cost and expense.

## **ITEM 14**

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

You do not receive the right to use any item covered by a patent or registered copyright, however, you can use the proprietary information in the Manuals in the operation of your Beauty Bar. The Manuals are described in Item 11. Item 11 also describes the limitations on the use of the Manuals by you and your employees.

We have no registered copyrights, nor are there any pending patent applications that are material to the franchise. However, we claim copyrights on certain forms, advertisements, promotional materials, software source code and other Confidential Information as defined below.

To our knowledge, there currently are no effective determinations of the U.S. Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or you in connection with any copyrights.

We may revise our System and any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

In general, our proprietary information includes “Confidential Information” as defined in Section 12 of the Franchise Agreement, some of which is contained in our Manuals, and includes, among other things, all information (current and future) relating to the operation of Beauty Bars and the System, including, among other things, all: (1) manuals, training, techniques, processes, policies, procedures, systems, data and know how regarding the development, marketing, operation and franchising of the Beauty Bars; (2) designs, specifications and information about products and services and (3) all information regarding customers and suppliers, including any statistical and/or financial information and all lists. We disclose to you Confidential Information needed for the operation of a Beauty Bar, and you may learn additional information during the term of your franchise. We have all rights to the Confidential Information and your only interest in the Confidential Information is the right to use it under your Franchise Agreement.

Both during and after the term of your Franchise Agreement, you must use the Confidential Information only for the operation of your Beauty Bar under a Franchise Agreement with us; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and follow all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information.

We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Beauty Bar that you or your employees conceive or develop.

You also agree to fully and promptly disclose all ideas, techniques and other similar information relating to the franchise business that are conceived or developed by you and/or your employees. We will have a perpetual right to use, and to authorize others to use, those ideas, etc. without compensation or other obligation.

## ITEM 15

### OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must designate an individual who has more than a 10% ownership interest in your business entity who will oversee the management and operation of your Franchised Business and who will be the primary person with whom we will communicate regarding the operation of your Franchised Business and your Franchise Agreement (“Principal Owner”). You must hire a Designated Manager to manage daily operations of your Beauty Bar with our approval. You may request our authorization to have one of your owners serve as the Designated Manager. Your Principal Owner and your Designated Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities). We will not unreasonably withhold our approval of any Designated Manager you propose, provided the Designated Manager has completed our Initial Training Program and otherwise demonstrated that he/she has a good handle on our System standards and specifications for daily operations of a Beauty Bar. If the franchisee is a business entity, we do not require the Designated Manager to own an interest in the entity, but the Designated Manager must sign our prescribed form of Confidentiality and Non-Competition Agreement, the current form of which is attached as Exhibit “D” to the Franchise Agreement.

Your Franchised Business must, at all times, be managed and staffed with at least one individual who has successfully completed our Initial Training Program. In the event that you operate more than one Franchised Business, you must have a properly trained Designated Manager at each Beauty Bar you own and operate. You must keep us informed at all times of the identity of any personnel acting as Designated Manager, and obtain our approval before substituting a new Designated Manager at any of your locations.

It is important to note that we are not your employer and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel, including any estheticians or other specialized/licensed personnel that must be independently licensed to perform certain of the Approved Services at your Beauty Bar. Please note that nothing in this Disclosure Document or any agreement you enter into with us will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, the form of Guarantee and Assumption of Franchisee’s Obligations attached to the Franchise Agreement as an Exhibit (the “Guarantee”). If you are a business entity (limited liability company, corporation, partnership, etc.), then each of your shareholders/members/partners (the “Owners”), as applicable, must sign the Guarantee and at our option, the spouses of each such Owner must sign the Guarantee.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must (1) sell or offer for sale only those products, merchandise, and services as we have expressly approved for sale in writing; (2) sell or offer for sale all types of products, merchandise, and services we specify; (3) refrain from any deviation from our standards and specifications without our prior written consent; and (4) discontinue selling and offering for sale any products, merchandise, and services which we may, in our discretion, disapprove in writing at any time. You must only offer and sell the Approved Products at retail, and you are not permitted to sell such Approved Products (including all retail merchandise) at wholesale or for re-sale of any other kind. All Approved Products, including inventory used in connection with the Approved Services, that are sold or offered for sale at the Beauty Bar must



meet our then-current standards and specifications, as established in the Manuals or otherwise in writing. See Item 8. The Franchise Agreement does not limit our right to make changes in the types of authorized products, merchandise, and services.

You will be solely responsible for determining the prices of products and services offered at your Beauty Bar; however, we may require you to comply with any maximum or minimum resale pricing restrictions that we implement for the System.

You must comply with all of our policies regarding advertising and promotion, including the use and acceptance of coupons, gift cards or membership programs.

We do not limit your access to customers in that customers may patronize your Beauty Bar even if they are not located within your Designated Territory, provided you comply with your advertising and solicitation obligations under your Franchise Agreement.

**ITEM 17**

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

**THE FRANCHISE RELATIONSHIP**

**The following tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

**A. Franchise Agreement**

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the Franchise Term	Section 4.01	10 years from the signing of Franchise Agreement.
b. Renewal or Extension of the Term	Section 4.02	If you satisfy all of the requirements of the Franchise Agreement, you will have an option to renew the franchise relationship for two consecutive five-year periods.
c. Requirements for Franchisee to Renew or Extend	Section 4.02	Give timely notice; complete to our satisfaction all maintenance, refurbishing, renovating and remodeling that we require of the Premises of the Franchised Business; not be in default of the Franchise Agreement or any other agreement and have complied with the standards and operating procedures prescribed by us; satisfy all monetary obligations owed to us or our affiliate; sign our then-current form of franchise agreement, which may contain materially different terms and conditions than your original contract; pay to us the renewal fee; sign a release subject to state law; and remain in possession of the Premises of the Franchised Business.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
d. Termination by Franchisee	Not Applicable	
e. Termination by Franchisor Without Cause	Not Applicable	
f. Termination by Franchisor With Cause	Section 16.01	We have the right to terminate the Franchise Agreement with cause. If we terminate a Franchise Agreement that you have entered into under a Development Agreement, we will also have the right to terminate the Development Agreement.
g. "Cause" Defined – Curable Defaults	Section 16.01	Curable defaults include: your failure to pay amounts owed to us when due (5 days to cure); you fail to perform any of your obligations under the Franchise Agreement or any other Agreement with us or our affiliates (15 days to cure); you fail to furnish reports, financial statements, tax returns, or any other documentation required by the Franchise Agreement (15 days to cure); or you engage in any conduct or practice which, in our reasonable opinion, reflects unfavorably upon or is detrimental to the Marks, or to our good name, goodwill or reputation (5 days to cure).
h. "Cause" Defined – Non-Curable Defaults	Sections 16.01	Non-curable defaults include: material misrepresentation on your franchise application; understatement of Gross Sales; you lose the right to possession of the Premises or the Lease; if your owner and Designated Manager fail to satisfactorily complete the Initial Training Program; unauthorized transfers; you receive three or more notices of default in any consecutive 12 month period; you are adjudicated as bankrupt, insolvent, or commit any affirmative act of insolvency, or file any action or petition for insolvency; or if you cease or take any steps to cease the operation of the Franchised Business.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
i. Franchisee’s Obligations on Termination/Non-Renewal	Section 17	Obligations include: cease operations of the Beauty Bar; de-identification; payment of amounts due to us and our affiliates; return the Manuals and all other confidential information or items imprinted with any of the Marks; sell to us products, furnishings, equipment, signs, fixtures, stationery, forms, packaging, and advertising materials at our option; modify the interior and exterior of the premises of the Beauty Bar; if termination is a result of your default you must pay to us all costs and expenses incurred as a result of that default; compliance with post-termination non-competition agreement; transfer all telephone and facsimile numbers, all listings and email addresses and social media accounts; and others.
j. Assignment of Contract by Franchisor	Sections 18.01	We may assign any or all of our rights arising from the Franchise Agreement provided that the assignee agrees in writing to assume all obligations undertaken by us.
k. “Transfer” by Franchisee – Defined	Section 18.02	You may not sell, assign, transfer, mortgage, charge, grant a security interest in or otherwise encumber any of your right and interest in the Franchise Agreement or in any assets of the Franchised Business, your owners may not transfer any of their ownership interests in you, and you may not amalgamate, merge, reorganize, or engage in any similar proceeding, without in each case obtaining our prior written approval.
l. Franchisor Approval of Transfer by Franchisee	Sections 18.02	All transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor Approval of Transfer	Section 18.02	Conditions of approval include: submit a copy of the offer relating to the transfer, information relating to the character and business background of the proposed transfer along the transfer evaluation fee; satisfy your monetary and other obligations; no default of any provision of any agreement with us or our affiliates; transferor signs a general release (subject to state law); transferee enters into a written assignment and guaranty, if applicable; transferee meets our qualifications; transferee signs our then-current form of franchise agreement; transferee completes all required training programs; pay a transfer fee to us; transfer is in compliance with applicable bulk sales legislation; and others.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
n. Franchisor's Right of First Refusal to Acquire Franchisee's Business	Section 18.04	We have a right of first refusal to acquire any proposed transfer of your Beauty Bar or a controlling ownership interest in you.
o. Franchisor's Option to Purchase Franchisee's Business	Sections 17.02 and 17.03	Upon termination or expiration of the Franchise Agreement, we have the option, but not the obligation, to purchase the equipment and furnishings, inventory and supplies owned and used by you in connection with the operation of the Franchised Business at a price equal to the lesser of the book value and the fair market value of the property in question; we also have the option to have you assign the Lease to us.
p. Death or Disability of Franchisee	Section 18.03	Subject to state law, upon the death or mental incapacity of any person holding any interest in the Franchise Agreement, in you, or in all or substantially all of the assets of the Beauty Bar, an approved transfer must occur within 120 days.
q. Non-Competition Covenants During the Term of the Franchise	Section 7.03	No interest in any Competing Business, which is any business that includes among its services manicures, pedicures, body waxing, facials, hair removal services and/or other related spa or grooming services (other than a Beauty Bar operated under a franchise agreement with us), or any business granting franchises or licenses to others to operate a Competing Business. (Subject to applicable state law)
r. Non-Competition Covenants After the Franchise Is Terminated or Expires	Section 17.08	For two years after termination or expiration of the Franchise Agreement, no interest in any Competing Business that is located: (1) at the Premises; (2) within your Designated Territory; or (3) within a 10-mile radius of (a) your Designated Territory, or (b) any other Beauty Bar that is open, under lease or otherwise under development. (Subject to applicable state law)
s. Modification of the Agreement	Section 20.16	All amendments, changes, or variances from the Franchise Agreement must be in writing.
t. Integration / Merger Clause	Section 20.16	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations we made in this disclosure document.

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
u. Dispute Resolution by Mediation or Arbitration	Not Applicable	
v. Choice of Forum	Section 21.01	Subject to applicable state law, you must bring all disputes against us in Dover, Delaware, which is our state of formation. We may bring a dispute against you in Dover, Delaware or in the jurisdiction where you reside or do business or where the Franchised Business is or was located when the dispute arose.
w. Choice of Law	Section 21.01	All disputes will be governed by the laws of Delaware, subject to applicable state law.

**B. Development Agreement**

<b>PROVISION</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>SUMMARY</b>
a. Term of the Franchise	Section 7.01, Exhibit A	The Development Agreement will commence on the date it is fully executed and end on the earlier of (1) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule or (2) the day that the final Franchised Business is opened.
b. Renewal or Extension of the Term	Not Applicable	
c. Requirements for Franchisee to Renew or Extend	Not Applicable	
d. Termination by Franchisee	Not Applicable	
e. Termination by Franchisor Without Cause	Not Applicable	
f. Termination by Franchisor With "Cause"	Section 7.02	We may terminate your Development Agreement with cause. Termination of the Development Agreement will not impact any Franchise Agreements you may have in effect at the time.
g. "Cause" Defined – Curable Defaults	Section 7.02	You will be provided notice and 30 days to cure any default caused by your failure to meet your development obligations under the Development Schedule for any single Development Period.
h. "Cause" Defined - Defaults Which Cannot be Cured	Section 7.02	Your Development Agreement can be terminated by us, without an opportunity to cure, if: (1) you cease to actively engage in development activities in the Development Area

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
		or otherwise abandon your development business for three consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Franchised Businesses within the Development Area; (2) you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; and (3) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i. Franchisee’s Obligations on Termination/Non-Renewal	Section 7.03	Comply with post-term non-competition covenants.
j. Assignment of Contract by Franchisor	Section 8	We have the right to assign our rights under the Development Agreement.
k. “Transfer” by Franchisee – Defined	Section 8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l. Franchisor Approval of Transfer by Franchisee	Section 8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m. Conditions for Franchisor Approval of Transfer	Not Applicable	
n. Franchisor’s Right of First Refusal to Acquire Franchisee’s Business	Not Applicable	
o. Franchisor’s Option to Purchase Franchisee’s Business	Not Applicable	
p. Death or Disability of Franchisee	Not Applicable	
q. Non-Competition Covenants During the Term of the Franchise	Section 6.03	No interest in any Competing Business or any business granting franchises or licenses to others to operate a Competing Business. (Subject to applicable state law)
r. Non-Competition Covenants After the Franchise is Terminated or Expires	Section 6.04	For two years after termination or expiration of the Development Agreement, no interest in any Competing Business that is located: (1) within your Development Area; or (3) within a 10-mile radius of (a) your Development Area, or (b) any other Beauty Bar that is open, under lease or otherwise under development. (Subject to applicable state law)
s. Modification of the Agreement	Section 10	Your Development Agreement may not be modified, except by a writing signed by both parties.



<b>PROVISION</b>	<b>SECTION IN DEVELOPMENT AGREEMENT</b>	<b>SUMMARY</b>
t. Integration/Merger Clause	Section 10	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable. Nothing in the Development Agreement or any related agreement is intended to disclaim the representations we made in this disclosure document.
u. Dispute Resolution by Arbitration or Mediation	Not applicable	
v. Choice of Forum	Section 9	Subject to applicable state law, you must bring all disputes against us in Dover, Delaware, which is our state of formation. We may bring a dispute against you in Dover, Delaware or in the jurisdiction where you reside or do business or where your Franchised Business is or was located when the dispute arose
w. Choice of Law	Section 9	All disputes will be governed by the laws of Delaware, subject to applicable state law.

**ITEM 18**

**PUBLIC FIGURES**

We do not use any public figures to promote our franchises.

**ITEM 19**

**FINANCIAL PERFORMANCE REPRESENTATION**

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.

Our affiliate, Ten Spot Canada, has offered and sold franchises for the right to own and operate Beauty Bars (each, a “CN Beauty Bar”) that are (1) operated in a substantially similar manner to the Franchised Business being offered in this Disclosure Document utilizing the same or substantially similar Marks and System that we license to you under your Franchise Agreement, and (2) provided initial and ongoing training and other assistance that is substantially similar to the training and support you will be entitled to receive under your Franchise Agreement in connection with your Franchised Business. Due to the cultural and market similarity and geographic proximity of the United States and Canada, CN Beauty Bars and US Beauty Bars offer similar products and services to their customers, operate using similar marketing materials, and use the same operating system. In light of the foregoing, there is a reasonable basis for including certain historical financial information regarding the Beauty Bars that are actively owned and operated in Canada in this financial performance representation.

The 2019 tables below disclose the average Gross Sales of the (1) 26 franchised CN Beauty Bars that were actively open and operating over the 2019 calendar year. These tables excludes: (a) 1 CN Beauty Bar that was open and operating in 2019 that was in breach and not operating in compliance with System standards and specifications; and (b) 5 CN Beauty Bars that were not open for the entire 2019 calendar year. The 2020 tables below disclose the average Gross Sales of the (1) 31 franchised CN Beauty Bars that were actively open and operating over the 2020 calendar year. The table excludes: (a) 1 CN Beauty Bar that was open and operating in 2020 that was in breach and not operating in compliance with System standards and specifications; (b) 4 CN Beauty Bars that were not open for the entire 2020 calendar year; and (c) 1 Beauty Bar that opened in the United States during 2020 that was not open for the entire 2020 calendar year.

**A. AVERAGE GROSS SALES OF FRANCHISED CN BEAUTY BARS**

**TABLE A-1**

**2019 GROSS SALES – CN BEAUTY BARS  
(CANADIAN DOLLARS)**

<b>2019</b>	<b>Systemwide</b>	<b>Top Quartile</b>	<b>Top Half</b>	<b>Bottom Quartile</b>	<b>Bottom Half</b>
No. of CN Beauty Bars	26	7	13	7	13
Average Gross Sales	\$567,701 CAD	\$816,528 CAD	\$728,691 CAD	\$350,442 CAD	\$406,711 CAD
Range of Gross Sales	\$235,838 - \$986,060 CAD	\$698,415 - \$986,060 CAD	\$567,774 - \$986,060 CAD	\$235,838 - \$424,383 CAD	\$235,838 - \$515,909 CAD
Median Gross Sales	\$541,842 CAD	\$693,042 CAD	\$698,415 CAD	\$360,336 CAD	\$424,383 CAD
No. and % that Met or Exceeded Average	13 (50%)	2 (28%)	7 (537%)	4 (57%)	6 (46%)

**TABLE A-2**

**2019 GROSS SALES – CN BEAUTY BARS  
(US DOLLARS)**

<b>2019</b>	<b>Systemwide</b>	<b>Top Quartile</b>	<b>Top Half</b>	<b>Bottom Quartile</b>	<b>Bottom Half</b>
No. of CN Beauty Bars	26	7	13	7	13
Average Gross Sales	\$452,117 USD	\$580,330 USD	\$580,330 USD	\$279,092 USD	\$323,905 USD
Range of Gross Sales	\$187,821 - \$785,298 USD	\$452,175 - \$785,298 USD	\$452,175 - \$785,298 USD	\$187,821 - \$337,979 USD	\$187,821 - \$410,870 USD
Median Gross Sales	\$431,523 USD	\$551,939 USD	\$556,812 USD	\$286,972 USD	\$337,979 USD

<b>2019</b>	<b>Systemwide</b>	<b>Top Quartile</b>	<b>Top Half</b>	<b>Bottom Quartile</b>	<b>Bottom Half</b>
No. and % that Met or Exceeded Average	13 (50%)	2 (28%)	7 (537%)	4 (57%)	6 (46%)

**TABLE A-3**

**2020 GROSS SALES – CN BEAUTY BARS  
(CANADIAN DOLLARS)**

<b>2020</b>	<b>Systemwide</b>	<b>Top Quartile</b>	<b>Top Half</b>	<b>Bottom Quartile</b>	<b>Bottom Half</b>
No. of CN Beauty Bars	31	8	15	8	16
Average Gross Sales	\$299,230 CAD	\$424,310 CAD	\$389,035 CAD	\$170,741 CAD	\$215,037 CAD
Range of Gross Sales	\$103,876 - \$482,405 CAD	\$395,100– \$482,405 CAD	\$311,136 - \$482,405 CAD	\$103,876 - \$226,578 CAD	\$103,876 - \$300,683 CAD
Median Gross Sales	\$300,683 CAD	\$424.538 CAD	\$395,100 CAD	\$165,805 CAD	\$229,068 CAD
No. and % that Met or Exceeded Average	16 (51%)	4 (50%)	9 (60%)	4 (50%)	10 (63%)

**TABLE A-4**

**2020 GROSS SALES – CN BEAUTY BARS  
(US DOLLARS)**

<b>2020</b>	<b>Systemwide</b>	<b>Top Quartile</b>	<b>Top Half</b>	<b>Bottom Quartile</b>	<b>Bottom Half</b>
No. of CN Beauty Bars	31	8	15	8	16
Average Gross Sales	\$238,307 USD	\$337,920 USD	\$309,827 USD	\$135,978 USD	\$171,255 USD
Range of Gross Sales	\$82,727 - \$384,187 USD	\$314,658 - 384,187 USD	\$247,789 - \$384,187 USD	\$82,727 - \$180,447 USD	\$82,727 - \$239,464 USD
Median Gross Sales	\$239,464 USD	\$338,102 USD	\$314,658 USD	\$132,047 USD	\$182,430 USD
No. and % that Met or Exceeded Average	16 (51%)	4 (50%)	9 (60%)	4 (50%)	10 (63%)

**B. AVERAGE GROSS SALES OF FRANCHISED CN BEAUTY BARS BASED ON YEARS OF OPERATION**

**TABLE B-1**

**2019 GROSS SALES – CN BEAUTY BARS  
BASED ON YEARS OF OPERATION  
(CANADIAN DOLLARS)**

<b>Length of Time In Operation</b>	<b>Average Gross Sales</b>	<b>Median Gross Sales</b>	<b>Range of Gross Sales</b>	<b># of Beauty Bars</b>	<b>No. and % That Met or Exceed Average</b>
<b>1-3 years</b>	\$435,484 CAD	\$432,903 CAD	\$235,838 - \$672,326 CAD	9	5 (56%)
<b>3-5 years</b>	\$565,230 CAD	\$629,269 CAD	\$320,483 - \$770,637 CAD	13	7 (54%)
<b>5+ years</b>	\$785,670 CAD	\$807,000 CAD	\$501,072 - \$986,060 CAD	5	4 (80%)

**TABLE B-2**

**2019 GROSS SALES – CN BEAUTY BARS  
BASED ON YEARS OF OPERATION  
(USD DOLLARS)**

<b>Length of Time In Operation</b>	<b>Average Gross Sales</b>	<b>Median Gross Sales</b>	<b>Range of Gross Sales</b>	<b># of Beauty Bars</b>	<b>No. and % That Met or Exceed Average</b>
<b>1-3 years</b>	\$346,819 USD	\$344,764 USD	\$187,821 - \$535,440 USD	9	5 (56%)
<b>3-5 years</b>	\$450,149 USD	\$501,150 USD	\$255,233 - \$613,735 USD	13	7 (54%)
<b>5+ years</b>	\$625,708 USD	\$642,695 USD	\$399,054 - \$785,298 USD	5	4 (80%)

**TABLE B-3**

**2020 GROSS SALES – CN BEAUTY BARS  
BASED ON YEARS OF OPERATION  
(CANADIAN DOLLARS)**

<b>Length of Time In Operation</b>	<b>Average Gross Sales</b>	<b>Median Gross Sales</b>	<b>Range of Gross Sales</b>	<b># of Beauty Bars</b>	<b>No. and % That Exceed Average</b>
<b>1-3 years</b>	\$271,206 CAD	\$240,790 CAD	\$103,876 - \$482,405 CAD	10	4 (40%)

<b>Length of Time In Operation</b>	<b>Average Gross Sales</b>	<b>Median Gross Sales</b>	<b>Range of Gross Sales</b>	<b># of Beauty Bars</b>	<b>No. and % That Exceed Average</b>
<b>3-5 years</b>	\$312,823 CAD	\$327,103 CAD	\$190,544 - \$408,740 CAD	8	4 (50%)
<b>5+ years</b>	\$312,422 CAD	\$311,136 CAD	\$141,972 - \$430,963 CAD	13	5 (38%)

**TABLE B-4**

**2020 GROSS SALES – CN BEAUTY BARS  
BASED ON YEARS OF OPERATION  
(US DOLLARS)**

<b>Length of Time In Operation</b>	<b>Average Gross Sales</b>	<b>Median Gross Sales</b>	<b>Range of Gross Sales</b>	<b># of Beauty Bars</b>	<b>No. and % That Exceed Average</b>
<b>1-3 years</b>	\$215,988 USD	\$191,765 USD	\$82,727 - \$384,187 USD	10	4 (40%)
<b>3-5 years</b>	\$249,132 USD	\$260,505 USD	\$151,749 - \$325,521 USD	8	4 (50%)
<b>5+ years</b>	\$248,813 USD	\$247,789 USD	\$113,067- \$343,219 USD	13	5 (38%)

**C. COMPARISON OF AVERAGE GROSS SALES OF FRANCHISED CN BEAUTY BARS FOR JULY 2020 AND JULY 2021**

**TABLE C-1**

**JULY 2020 AND JULY 2021 SAME BAR GROSS SALES – CN BEAUTY BARS  
(CANADIAN DOLLARS)**

	<b>July - Average Gross Sales</b>	<b>July – Median Gross Sales</b>	<b>July – Range of Gross Sales</b>	<b># of bars</b>	<b>No. and % That Exceed Average</b>
July 2020	\$32,646 CAD	\$31,631 CAD	\$9,528 CAD - \$54,219 CAD	33	16 (or 48%)
July 2021	\$53,601 CAD	\$47,671 CAD	\$17,214 CAD - \$93,867 CAD	33	13 (or 40%)
Growth from July 2020 to July 2021	64%	51%			

**TABLE I.C-2**

**JULY 2020 AND JULY 2021 SAME BAR GROSS SALES – CN BEAUTY BARS  
(US DOLLARS)**

	<b>July - Average Gross Sales</b>	<b>July – Median Gross Sales</b>	<b>July – Range of Gross Sales</b>	<b># of bars</b>	<b>No. and % That Exceed Average</b>
July 2020	\$25,999	\$25,191	\$7,588 - \$43,180 CAD	33	16 (or 48%)
July 2021	\$42,688	\$37,965	\$13,709 - \$74,756 CAD	33	13 (or 40%)
Growth from July 2020 to July 2021	64%	51%			

**Notes**

1. The term “Gross Sales” means the total revenue generated by that CN Beauty Bar from the sale and provision of the same Approved Services and Approved Products that our System franchisees will be authorized to provide here in the United States. “Average Gross Sales” is calculated by taking the sum of the Gross Sales of the Beauty Bars in a set and dividing by the number of Beauty Bars in the set. “Median Gross Sales” is the Gross Sales figure that is in the center of the Gross Sales of all Beauty Bars in a set.
2. Whenever “Gross Sales” are disclosed in this Item 19, they are disclosed in United States currency (the U.S. Dollar or “USD”). They have been converted from Canadian currency (the Canadian Dollar or “CDN”) to USD. The currency exchange rate between USD and CDN is constantly in flux such that the rate as of the issuance date of this Disclosure Document may not be the same rate at the time you receive this Disclosure Document and/or purchase franchise rights from us. As of the issuance date, the exchange rate between CDN and USD is 1 CDN is equal to .7964 USD. This is the rate used to convert the numbers disclosed in Item 19.
3. A “Quartile” is determined by dividing the performance of the CN Beauty Bars into four equal groups based on their Gross Sales. A “Half” is determined by dividing the performance of the CN Beauty Bars into four equal groups based on their Gross Sales.
4. This financial performance representation is based upon sales data collected from the CN Beauty Bars. The data has not been audited.
5. The CN Beauty Bars are located in Canada where the TEN SPOT brand has already developed and continues to develop goodwill and reputation in connection with the provision of the Approved Services and Approved Products. While we expect and suggest that the retail pricing for most Approved Services will be similar to the dollar amount that we suggest and most of the CN Beauty Bars utilize and charge their clientele in Canada, we recommend you speak to your business advisors and conduct your own research regarding the prevailing pricing and rates charged by businesses that are similar or directly competitive with a Beauty Bar in and around your contemplated Site Selection Area, and consider that information when analyzing this franchise offering before you purchase a franchise or enter into a franchise agreement with us.



6. Written substantiation for the financial performance representation will be made available to you upon reasonable request.
7. We have not included the costs of sales, operating costs or other costs and expenses for the CN Beauty Bars. Therefore, this financial performance representation does not reflect the costs of sales, operating expenses or other costs and expenses that must be deducted from the Gross Sales or Revenues figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating a franchised Beauty Bar. Franchisees or former franchisees listed in this disclosure document may be one source of this information
8. **Some outlets have sold this amount. Your individual results may differ. There is no assurance you will sell as much.**

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations orally or in writing. If you are purchasing an existing Beauty Bar, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chief Executive Officer, Kristen Gale at 10-163 Sterling Road, Toronto, ON M6R 2B2, (416) 561-4253, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**TABLE 1**  
**SYSTEM-WIDE OUTLET SUMMARY\***  
**FOR OUR FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021**

<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	2019	0	0	0
	2020	0	1	+1
	2021	1	3	+2
Company-owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
<b>Total Outlets</b>	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>1</b>	<b>+1</b>
	<b>2021</b>	<b>1</b>	<b>3</b>	<b>+2</b>

*\*These Charts only reflect Beauty Bars operating in the United States. Exhibit E contains information related to the Beauty Bar locations operating under the Marks and System in Canada where our brand was founded.*

**TABLE 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021**

State	Year	Number of Transfers
<b>Total</b>	<b>2019</b>	<b>0</b>
	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>0</b>

**TABLE 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations– Other Reasons	Outlets at End of Year
CO	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
GA	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
MN	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
<b>Total</b>	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2021</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

**TABLE 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
<b>Total</b>	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE 5**  
**PROJECTED OPENINGS AS OF APRIL 30, 2021**

State	Franchise Agreement Signed But Outlet Not Yet Open	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
Colorado	2	1	0
Georgia	1	1	0
Maryland	1	1	0
Minnesota	1	1	0
New York	1	1	0
Texas	1	1	0
TOTALS	7	6	0

Exhibit E to this Disclosure Document contains: (i) a list of our franchisees that have opened a Beauty Bar in the United States as of April 30, 2021; (ii) a list of our franchisees that have entered into Franchise Agreements and Development Agreements with us but have not yet opened in the United States as of April 30, 2021; (iii) a list of the Canadian franchisees of our affiliate, Ten Spot Canada, that are open and operating as of April 30, 2021; and (iv) tables demonstrating the information contained in this Item 20 with respect to our Canadian Beauty Bars.

Exhibit E also contains a list of franchisees of our affiliate Ten Spot Canada that were transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business with them during their most recently completed fiscal year, or that have not communicated with them within the 10 weeks preceding the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None of our franchisees have signed confidentiality clauses during the last three fiscal years that restrict their ability to speak with you about their Franchised Business. There are no trademark-specific franchisee organizations associated with the franchise system.

## ITEM 21

### FINANCIAL STATEMENTS

Attached as Exhibit F is our audited financial statements from our inception (June 1, 2018) to April 30, 2019 and for our fiscal years ended April 30, 2020 and April 30, 2021. All attached financial statements were prepared in United States Dollars. Our fiscal year end is April 30<sup>th</sup>.

## ITEM 22

### CONTRACTS

Copies of the following contracts or documents are also attached as Exhibits to the Disclosure Document that you may be required to execute in connection with your franchise purchase:

Franchise Agreement (and Exhibits)	Exhibit B
Development Agreement (and Exhibits)	Exhibit C
Confidentiality and Non-Disclosure Agreement	Exhibit G

General Release Agreement

State-Specific Addenda

Franchisee Disclosure Questionnaire and Compliance Certification

Exhibit H

Exhibit I

Exhibit J

**ITEM 23**

**RECEIPTS**

A receipt in duplicate is attached to this Disclosure Document as Exhibit K. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to us.

**EXHIBIT A TO  
FRANCHISE DISCLOSURE DOCUMENT**

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

## LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500          Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>          New York State Department of Law          Investor Protection Bureau          28 Liberty Street, 21<sup>st</sup> Floor          New York, New York 10005          (212) 416-8285</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Department          State Capitol          Department 414          600 East Boulevard Avenue, Fifth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Office of the Attorney General          Franchise Bureau          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Office of the Attorney General          Securities Division          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          State Corporation Commission          Division of Securities and Retail Franchising          1300 East Main Street, 9th Floor          Richmond, Virginia 23219          (804) 371-9051</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Department of Financial Institutions          Securities Division – 3<sup>rd</sup> Floor          150 Israel Road, Southwest          Tumwater, Washington 98501          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>



**AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500          Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>          New York Secretary of State          New York Department of State          One Commerce Plaza,          99 Washington Avenue, 6<sup>th</sup> Floor          Albany, New York 12231-0001          (518) 473-2492</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Commissioner          State Capitol          600 East Boulevard Avenue, Fifth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Director of Department of Business Regulation          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Director of the Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Maryland Securities Commissioner          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          Clerk of the State Corporation Commission          1300 East Main Street, 1<sup>st</sup> Floor          Richmond, Virginia 23219          (804) 371-9733</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Director of Department of Financial Institutions          Securities Division – 3<sup>rd</sup> Floor          150 Israel Road, Southwest          Tumwater, Washington 98501          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Commissioner of Commerce          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**EXHIBIT B TO  
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

# THE TEN SPOT<sup>®</sup>

## FRANCHISE AGREEMENT

**BETWEEN:**

**THE TEN SPOT LTD.**

**- and -**

**[FRANCHISEE]**

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### **EXHIBITS**

- Exhibit “A” – Franchisee Information
- Exhibit “B” – Lease Addendum Terms
- Exhibit “C” - EFT Authorization Form
- Exhibit “D” – Form of Nondisclosure and Non-Competition Agreement
- Exhibit “E” – Guarantee, Indemnification, and Acknowledgement

## THE TEN SPOT FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) between **The Ten Spot Ltd.**, a Delaware corporation with its principal place of business at 10-163 Sterling Road, Toronto, Ontario, Canada M6R 2B27 (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (“**Franchisee**”) is made effective as of date of Franchisor’s signature on the signature page of this Agreement (the “**Effective Date**”).

### RECITALS

A. Franchisor and its Affiliates, as a result of the expenditure of time, skill, effort, and money, have developed, own or otherwise have the right to utilize, a proprietary system of business operations (the “**System**”) related to the establishment, development, opening, and operation of a beauty bar and grooming boutique (each, a “**Beauty Bar**”) specializing in manicures, pedicures, facials, body waxing and other grooming services Franchisor authorizes (collectively, the “**Approved Services**”), and certain designated beauty and/or other grooming-related products that Franchisor designates or otherwise approves for retail sale from that Beauty Bar (collectively, the “**Approved Products**”).

B. The System is comprised of various proprietary and, in some cases, distinguishing elements, including, without limitation: proprietary methodology and procedures for the establishment and operating procedures of a typical Beauty Bar; instructions and standards regarding the methodology used in providing certain of the Approved Services, as well as offering and selling certain Approved Products; existing relationships with suppliers of certain of the Approved Products, as well as various items and services to be purchased and/or utilized in connection with the establishment and/or ongoing operation of a Beauty Bar; site selection guidelines and criteria, as applicable, for the Beauty Bar; standards and specifications for the design, layout and construction of the interior and exterior of a typical Beauty Bar; standards and specifications associated with trade dress and décor of a typical Beauty Bar; standards and specifications for the furniture, fixtures and/or equipment located within the Beauty Bar; established relationships with approved or designated suppliers for certain inventory and other supplies and operating equipment necessary to provide the Approved Services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Beauty Bar. Franchisor may change, improve, further develop, or otherwise modify the System from time to time, as Franchisor deems appropriate in its discretion.

C. The System and Beauty Bars are identified by the mark THE TEN SPOT, as well as certain other trade names, trademarks, service marks, logos, trade dress and other indicia of source that Franchisor designates for use in connection with each Beauty Bar (collectively, the “**Marks**”), all of which Franchisor may modify, update, supplement or substitute in the future as Franchisor deems appropriate. Franchisor has established substantial goodwill and business value in its Marks, expertise and System, and such goodwill inures solely to the benefit of Franchisor and its Affiliates.

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

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

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

G. Franchisor is willing to grant Franchisee the right to operate a Beauty Bar based, in part, on the representations contained in any franchise application materials, including any financial information that Franchisee voluntarily provided as part of the franchise application process, and subject to the terms and conditions set forth in this Agreement.

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

## **1. CERTAIN DEFINITIONS**

### **1.01 Definitions**

If a capitalized term in this Agreement is not specifically defined in any subsequent Section of this Agreement, then that term shall have the following meaning for purposes of this Agreement and any Exhibits hereto:

- (a) “**Affiliate**” – means an entity controlled by, controlling, or under common control with, another entity;
- (b) “**Applicable Taxes**” – means any sales taxes, value added taxes, or other taxes Franchisee collects from customers and pays directly to the appropriate taxing authority;
- (c) “**Approved Supplier**” – means any party that Franchisor designates or otherwise approves, consistent with the terms of this Agreement, to provide any product, service or other item necessary to operate the Franchised Business, which may include Franchisor or any of its Affiliates;
- (d) “**Competing Business**” – means: (i) any business that includes among its services manicures, pedicures, body waxing, facials, hair removal services and/or other related spa or grooming services (other than a Beauty Bar operated under a franchise agreement with Franchisor); or (ii) any business granting franchises or licenses to others to operate the type of business specified in subsection (i) above;
- (e) “**Required FFE and Related Operational Assets**” – means all the required equipment, fixtures, furniture, signage, equipment (including without limitation all computer hardware and software comprising the point of sale system and/or any other computer system components) and certain other required fixed assets or other items necessary to (i) initially buildout and equip a Beauty Bar, and (ii) maintain operations of a Beauty Bar, in accordance with System standards and specifications, and as Franchisor may require, or otherwise approve or designate from time to time via the Manuals or otherwise in writing;
- (f) “**Franchised Business**” – means the franchised Beauty Bar to be operated by Franchisee at the Premises pursuant to the terms and conditions set forth this Agreement and the Manuals;
- (g) “**Gift Cards**” – means gift cards and gift certificates for the System administered by Franchisor on behalf of all Beauty Bars.



- (h) **“Gross Sales”** – means the total revenue generated by your Franchised Business, including all revenue generated from the sale and provision of any and all (a) Membership Programs, (b) Gift Cards and (c) other Approved Products and Services at or through your Franchised Business, as well as (d) all proceeds from any business interruption insurance related to the non-operation of the Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Gross Sales” does not include (a) tips received by personnel at the Franchised Business and not collected by the Franchised Business, (b) any sales tax and equivalent taxes that are collected by the Franchised Business for or on behalf of any governmental taxing authority and paid thereto, and (c) *bona fide* refunds issued in accordance with Franchisor’s then-current System standards. Franchisor reserves the right to modify its policies consistent with industry practices and Applicable Laws regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change.
- (i) **“Manuals”** – means, collectively, the proprietary and confidential operations manual and other manuals that Franchisor will license and provide Franchisee with access to pursuant to the terms and conditions of this Agreement that detail Franchisor’s then-current System policies, standards, specifications, associated programs, required purchases, Approved Suppliers, operational and sales-related directives, guidelines and/or suggestions related to the establishment and operation of a franchised Beauty Bar, as well as all other writings containing the foregoing kinds of information or directives that Franchisor may (i) provide to Franchisee via any System website, intranet or similar online web portal or via hard copy, and (ii) update, supplement or otherwise modify in any manner upon written notice to Franchisee as Franchisor determines appropriate in its discretion.
- (j) **“Membership Programs”** – means all loyalty programs, special programs, memberships, series, packages, and membership incentive programs for the System administered by Franchisor on behalf of all Beauty Bars.
- (k) **“Premises”** – means the premises from which the Franchised Business is to be operated and that Franchisee must propose to Franchisor utilizing Franchisor’s then-current site proposal procedure and any corresponding submission templates or guidelines that Franchisor determines to reduce to writing and provide to Franchisee. Once approved by Franchisor and secured by Franchisee for purposes of operating the Franchised Business, all in accordance with the terms set forth herein, the Premises will be set forth by the parties in Exhibit “A” to this Agreement or separate form of signed addendum to this Agreement.
- (l) **“Principal Owner”** means an individual who has more than a ten percent (10%) ownership interest in Franchisee who will oversee the management and operation of the Franchised Business and who will be the primary person with whom we will communicate regarding the operation of the Franchised Business and this Agreement.
- (m) **“Site Selection Area”** – means the area wherein the parties agree Franchisee will have the non-exclusive right to seek out and secure an approved Premises in the event Franchisee has not secured such a Premises as of the Effective Date, in which case the Site Selection Area will be identified in writing or depicted on a map attached to Exhibit “A”;
- (n) **“Designated Territory”** – means the geographical area described in Exhibit “A” wherein Franchisor will agree not to open or locate, or license any third party the right to open or locate, another Beauty Bar that utilizes the Marks and System (except as specifically provided for in

this Agreement), which shall be determined by Franchisor and set forth in either (i) an updated version of Exhibit “A” that is initialed by the parties, or (ii) a separate signed form of addendum to this Agreement. Unless and until the parties set forth a specific Designated Territory in this manner, the parties agree and acknowledge that the Designated Territory will be deemed to be the boundaries of the Premises from which Franchisee actively operates the Franchised Business that is identified by the parties consistent with this Agreement.

## **2. GRANT OF FRANCHISE; TERRITORY**

### **2.01 Grant of Franchise**

Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, the right and license to operate the Franchised Business at the Premises and a license to use the Marks in the operation of the Franchised Business.

### **2.02 Premises**

Franchisee may only operate the Franchised Business from the Premises that Franchisor approves in writing consistent with the terms of this Agreement and any site proposal procedure and/or submission forms that Franchisor determines appropriate to utilize in connection with the System and provides to Franchisee via the Manuals or otherwise in writing. Franchisor reserves the right to require Franchisee to use one (1) or more Approved Suppliers to provide site selection assistance or other services related to Franchisee’s search for and securing of an approved Premises.

### **2.03 Premises Not Selected as of the Effective Date**

If, as of the Effective Date, the Premises has not been selected, Franchisee will use its reasonable best efforts to find a suitable location for the Franchised Business acceptable to Franchisee and approved by Franchisor following the procedures set forth in Section 5.01. At the request of Franchisor, Franchisee shall use Franchisor’s designated real estate consultant/broker to identify and select possible locations for the Franchised Business and to negotiate the terms of a binding agreement to lease the Premises (the “Lease”). Franchisee shall be responsible for payment of all commissions or other fees that become payable to such real estate consultant/broker. When the Premises is determined, its address shall be inserted into Exhibit “A” and Exhibit “A” shall be initialed and dated by Franchisee and Franchisor.

### **2.04 Designated Territory**

Subject to the provisions of Section 2.05 below and Franchisee’s strict compliance with its obligations under this Agreement, Franchisor will not establish and operate, or license any other party the right to establish and operate, another Beauty Bar utilizing the Marks and System at any location in the Designated Territory.

### **2.05 Reservation of Rights**

Notwithstanding anything contained in Section 2.04 or otherwise in this Agreement, Franchisor and its Affiliates hereby reserve the exclusive right to: (a) operate, and license any other party the right to establish and operate, Beauty Bars using the Marks and System at any location outside of the Designated Territory; (b) market, offer and sell products and services that are similar to the products and services offered by Beauty Bars under a different trademark or trademarks at any location, within or outside the Designated Territory; (c) use the Marks and System, and other such marks Franchisor may designate, to distribute the Approved Services and/or Approved Products, or similar products and services to those offered at Beauty

Bars, in any alternative channel of distribution, within or outside the Designated Territory (including through the Internet, traditional retail outlets, mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (d) acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), within or outside the Designated Territory; (e) establish and operate, and license any other party the right to establish and operate, businesses using the Marks and System in the Designated Territory: (i) that provide mobile services and do not operate from a fixed location; or (ii) that are located in “Non-Traditional Sites” including, but not limited to, amusement parks, military bases, college campuses, hospitals, airports, train and other transportation centers, sports arenas and stadia and any other kind of captive venue, travel plazas, toll roads, both within or outside the Designated Territory; and (f) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in this Agreement.

### **3. FEES AND OTHER PAYMENTS**

#### **3.01 Initial Franchise Fee**

In consideration of the right and license granted hereunder, Franchisee shall pay to Franchisor, concurrently with the execution of this Agreement, an initial franchise fee in the amount of Fifty Thousand Dollars (\$50,000 (“**Initial Franchise Fee**”). The Initial Franchise Fee shall be deemed to have been fully earned by Franchisor upon payment thereof and is non-refundable.

#### **3.02 Royalty Fee**

In return for the ongoing rights and privileges granted to Franchisee hereunder, Franchisee shall pay to Franchisor, throughout the term of this Agreement, a continuing royalty fee (the “**Royalty Fee**”) equal to six percent (6%) of Gross Sales, such Royalty Fee to be payable weekly on Thursday (or other day that Franchisor designates in writing) of each week and to be based upon Gross Sales for the immediately business week commencing upon the opening of the Franchised Business on Sunday and ending when the Franchised Business closes on Saturday (a “**Business Week**”).

#### **3.03 Brand Fund Contribution**

At the same time and in the same manner the Franchisee is required to pay the Royalty Fee, Franchisee will be required to contribute to a creative advertising and brand fund (the “**Brand Fund**”) that Franchisor has established to promote the brand, Marks, and System, in the amount specified in Section 11.02 of this Agreement.

#### **3.04 Technology Fee**

Franchisee shall pay Franchisor’s then-current technology fee (the “**Technology Fee**”) to help defray the costs of or otherwise provide consideration for those technology products or services Franchisor determines to (a) associate or utilize in connection with the System, and (b) use to cover all or certain portion of the corresponding costs. Currently, the Technology Fee is Three Hundred Seventy Five Dollars (\$375) per month. Franchisee must begin paying the Technology Fee two (2) months prior to opening the Franchised Business. Franchisor may modify the Technology Fee upon thirty (30) days’ prior written notice to Franchisee. The Technology Fee is payable on the first business day of each month.

### **3.05 Ongoing Purchases from Approved Suppliers**

Franchisee will be required to acquire the Required FFE and Related Operational Assets, as well as all other products, services, a signage package comprised of certain signage that must be displayed at the Premises, software and other licenses (such as software associated with the Franchisor's designated payment processing, point of sale system and/or Beauty Bar management system), as well as all other required items necessary to establish, open and continuously and actively operate the Franchised Business and meet clientele demand for the Approved Services and Approved Products at the Premises throughout the term of this Agreement, including certain purchases that Franchisee must make from Franchisor and/or its Affiliate(s) (collectively, the "**Required Items**").

### **3.06 Training Fees; Costs and Expenses**

- (a) Franchisor will provide to Franchisee the following training associated with the Franchised Business: (i) certain remote instructional and introduction training to the Principal Owner, as well as any individual Franchisee appoints and Franchisor otherwise approves to manage the day-to-day operations of the Franchised Business on a full-time basis (a "**Designated Manager**") that Franchisor will provide access to via webinar or other online learning management system that may (a) monitor/track participation and progress, and/or (b) test competency levels, if and as Franchisor determines appropriate (collectively, the "**Remote Training**"); (ii) additional training provided to the Principal Owner and the Designated Manager over a period of typically five (5) days, which shall be held, at Franchisor's option, at Franchisor's corporate headquarters, the Franchised Business, or other designated training location (the "**Corporate Training**"); and (iii) on-site training, assistance and support that the Principal Owner, the Designated Manager, qualified estheticians and other of Franchisee's personnel that will be involved in the initial operations of the Beauty Bar (the "**Initial Training Team**") must participate in and complete to Franchisor's satisfaction (the "**Initial On-Site Training**").
- (b) Franchisee shall reimburse Franchisor for the travel, lodging and related expenses incurred by Franchisor's trainers who conduct the Initial On-Site Training at the Premises. Franchisee must pay a deposit (the "**Training Expense Deposit**"), to Franchisor, which is Franchisor's estimated costs of these expenses, in a lump sum upon receipt of an invoice from Franchisor and prior to Franchisor's training team conducting the Initial On-Site Training at the Premises. At the conclusion of the Initial On-Site Training, the actual travel, lodging, and related expenses of Franchisor's trainers will be reconciled and Franchisee shall pay the invoiced amount upon receipt of an invoice for the additional expenses incurred by Franchisor's trainers or Franchisor shall reimburse Franchisee for the amount by which the Training Expense Deposit exceeds the actual expenses incurred.
- (c) As set forth more fully in this Agreement, Franchisor reserves the right to charge its then-current training fee (the "**Training Fee**") in connection with: (i) any training that Franchisor provides at the request of Franchisee other than the initial training that the Principal Owner, Designated Manager, and the initial personnel of the Franchised Business must complete prior to opening; and (ii) any training that Franchisor requires Franchisee and/or certain of its personnel to attend and complete, regardless of where located, as part of the curative actions with respect to any operational or other default under this Agreement, including Franchisee's failure to operate the Franchised Business in accordance with the Manuals ("**Remedial Training**").

- (d) Franchisee will always be solely responsible for all costs and expenses that: (i) Franchisee and the Initial Training Team incur in connection with completing the appropriate Remote Training, Corporate Training and Initial On-Site Training, including wages, as required and applicable; (ii) Franchisor incurs in sending its representatives to the Franchised Business for the Initial On-Site Training and/or Corporate Training, including travel, lodging and meals; and (iii) in the event Franchisor determines that Franchisee or the Initial Training Team need more than ten (10) days of Initial On-Site Training based on its representatives' reports and/or the team's competency testing results, the costs that Franchisor incurs in connection with its representatives providing such additional on-site instruction and assistance, including additional travel, lodging and meals incurred beyond the first ten (10) days.

### **3.07 Project Management Fee**

Franchisee shall pay to Franchisor, upon receipt of an invoice from Franchisor, a project management fee amounting to Six Thousand Five Hundred Dollars (\$6,500) (the "**Project Management Fee**") for services Franchisor provides in assisting Franchisee with the leasing, space planning, design, and buildout processes and the establishment of the Franchised Business. This fee is deemed fully earned when paid and is non-refundable upon payment.

### **3.08 Taxes**

All payments provided for herein are exclusive of Applicable Taxes, and Franchisee agrees and acknowledges that Franchisee is solely responsible for ensuring that all sales tax and other taxes associated with Franchisee's ownership and operation of the Franchised Business is timely paid to the appropriate taxing authority.

### **3.09 Payments**

With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor and/or its Affiliates under this Agreement through an electronic funds transfer program (the "**EFT Program**"), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its Affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the "**EFT Account**"). Franchisee shall immediately deposit all revenues from operation of the Franchised Business into the EFT Account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (a) Franchisee's bank name, address and account number; and (b) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached as Exhibit "C" to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account. Notwithstanding the provisions of this Section 3.09, Franchisor reserves the right to modify, at its option, the method by which Franchisee pays all fees and other amounts due to Franchisor under this Agreement upon receipt of written notice from Franchisor.

### **3.10 Overdue Amounts**

If any amounts are overdue, Franchisee shall pay to Franchisor or its Affiliates, in addition to the overdue amounts, interest on such amounts from the date it was due until paid in full and received by Franchisor, at the rate of eighteen (18%) per annum, or the maximum rate permitted by applicable law, whichever is

higher. The acceptance of any interest payment shall not be construed as a waiver by Franchisor of its rights in respect of the default giving rise to such payment and shall be without prejudice to Franchisor's right to terminate this Agreement in respect of such default. Failure by Franchisee to have sufficient funds in the EFT Account or any check returned for insufficient funds shall constitute a default of this Agreement. In addition to the interest charges, Franchisee must reimburse Franchisor for any bank fees incurred by Franchisor and pay Franchisor One Hundred Dollars (\$100) (or the maximum amount permitted by applicable law, whichever is less) each time Franchisee delivers a check to Franchisor which does not clear Franchisee's bank account or where Franchisor is not able to complete an electronic funds transfer due to insufficient funds in the EFT Account. Franchisee shall not be entitled to set off any payments required to be made under this Agreement against any monetary claim Franchisee may have against Franchisor or its Affiliates.

### **3.11 Franchisor's Right of Offset**

Notwithstanding any other provision of this Agreement, upon the failure of Franchisee to pay Franchisor as and when due any sums of money, Franchisor may, at its election, deduct any and all such sums remaining unpaid from any monies or credit held by Franchisor for the account of Franchisee.

### **3.12 Default Fines**

Franchisor will fine Franchisee Two Hundred Fifty Dollars (\$250) for each day Franchisee uses unauthorized products, services, suppliers or advertising materials and collateral. Franchisor shall contribute any fines related to advertising materials and collateral to the Brand Fund.

## **4. TERM AND RENEWAL**

### **4.01 Initial Term**

The initial term of this Agreement term shall commence as of the Effective Date and expire ten (10) years from the Effective Date.

### **4.02 Renewal**

Subject to Franchisee's completion of the specific actions below and provided all conditions set forth in this Section 4.02 are fully satisfied, Franchisee will have the right to obtain a successor franchise upon the expiration of the initial term of this Agreement for up to two (2) additional and consecutive terms of five (5) years each:

- (a) Franchisee must provide Franchisor written notice of its intention to renew at least nine (9) months prior to the expiration of the initial term (or applicable renewal term);
- (b) Franchisee shall have completed to Franchisor's satisfaction all such maintenance, refurbishing, renovating, and remodeling of the Premises and of the Required FFE and Related Operational Assets as Franchisor shall reasonably require to meet its then-current System standards for new or existing franchisees;
- (c) Franchisee shall not be in default of this Agreement or any other agreement with Franchisor or any of its Affiliates as of the expiration of the initial term (or applicable renewal term) and shall have substantially complied with all the terms and conditions of such agreements during their respective terms and Franchisee shall have operated the Franchised Business in compliance with the standards and operating procedures from time to time prescribed by Franchisor,



whether in the Manuals or otherwise;

- (d) Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and any of its Affiliates as at the expiration of the initial term (or applicable renewal term) and shall have throughout the initial term (or applicable renewal term), timely met all monetary obligations to Franchisor, its Affiliates and to trade creditors of the Franchised Business;
- (e) Franchisee shall have executed, at the time of renewal, Franchisor's then current form of franchise agreement, the terms of which may differ from the terms of this Agreement and which, when executed, shall supersede in all respects this Agreement and shall execute such other personal guarantees, documents and agreements as are then customarily required by Franchisor in the granting of franchises. Without limiting the generality of the foregoing, such new franchise agreement may stipulate for a higher royalty fee and higher expenditures and contributions for advertising and, unless otherwise a renewal term remains, shall contain no right or option to further renew the right and license herein granted;
- (f) Franchisee must pay a renewal fee in an amount equal to fifty percent (50%) of the then-current initial franchise fee charged generally by Franchisor for new franchisees;
- (g) Franchisee and its owners and personal guarantors shall have delivered to Franchisor a general release of all claims against Franchisor, its Affiliates, and their respective shareholders, directors, and officers, in form prescribed by Franchisor; and
- (h) Franchisee shall have the right to remain in possession of the Premises (or other premises approved by Franchisor) for such renewal term, and must ensure that the Lease Addendum Terms set forth in Exhibit "B" hereto are signed by the lessor of the Premises and Franchisee or otherwise incorporated into the Lease that will govern the Premises during such renewal term.

## **5. THE PREMISES FOR THE FRANCHISED BUSINESS**

### **5.01 Selection of Site**

Franchisee shall be solely responsible for finding and obtaining a suitable site at which to develop and operate the Franchised Business. If a site for the Franchised Business has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually within thirty (30) days) of receiving a site application from Franchisee. If Franchisor approves of such selection, the site shall be designated as the Premises of the Franchised Business. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the Franchised Business. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Franchised Business. Franchisor has the right to approve or disapprove a proposed site based on such factors as it deems appropriate, including, without limitation, visibility, signage, the condition of the premises, demographics of the surrounding area, proximity to other Beauty Bars, proximity to Competing Businesses, lease requirements, traffic patterns, vehicular and pedestrian access, proximity to major roads, available parking, and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. Franchisor does not represent that it, or any of its Affiliates, owners, employees, or agents, have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the site selected by Franchisee. Franchisee is solely responsible for identifying the site for

the Franchised Business. Franchisor shall have no liability for the failure of the Franchised Business based, directly or indirectly, upon Franchisor's site selection assistance or approval.

#### **5.02 Failure to Timely Secure the Premises for the Franchised Business**

If Franchisee has not secured an approved Premises from which to operate the Franchised Business within a period of nine (9) months of the Effective Date, Franchisor shall have the right to terminate this Agreement.

#### **5.03 Signing of Lease and for the Premises**

Franchisee shall enter into a Lease directly with the lessor on a form that has been reviewed by Franchisor and that contains the Lease Addendum Terms in a form and format that is substantially similar to the form attached hereto as Exhibit "B." At Franchisor's option, Franchisor may require that it be named as an express third-party beneficiary under the lease for purposes of exercising its rights under the Lease Addendum Terms. Franchisor shall be made a party to the Lease only for the benefit of taking advantage of the provisions set out in Exhibit "B." Once a given Premises has been approved by Franchisor and the Lease for that Premises has been reviewed by Franchisor and/or signed by Franchisee, Franchisee may not amend or terminate the Lease without Franchisor's prior written approval and any such attempt to terminate, alter or amend the Lease shall be null and void.

#### **5.04 Development of the Premises**

Franchisee shall, at its sole cost and expense, construct, buildout, install, furnish and equip the Premises with all required improvements, Required FFE and Related Operational Assets and other Required Items, including opening inventory and supplies, designated by Franchisor in writing and consistent with Franchisor's standard plans and specifications for Beauty Bars.

For purposes of this Agreement, the construction, equipping, and furnishing of the Premises, including the buildout of the Premises with all Required Items, will be referred to collectively as the "Development of the Premises." In undertaking and completing the Development of the Premises, Franchisee shall:

- (a) retain and timely pay only those Approved Suppliers that Franchisor designates for any Required Item and/or the ancillary installation, shipping or other services necessary to integrate the Required Item at issue into the Premises or Franchised Business (for those items that Franchisor has an Approved Supplier);
- (b) allow access to the Premises to Franchisor at all reasonable times to inspect the Development of the Premises to ensure compliance with the standard plans and specifications for Beauty Bars;
- (c) comply with all applicable by-laws, building codes, permit requirements, and lease requirements and restrictions;
- (d) obtain all required building, utility, sign, sanitation, and business permits and licenses;
- (e) ensure that the Franchised Business has adequate initial inventory of Approved Products, operating inventory and supplies based on pre-opening sales and promotional activities and as Franchisor may otherwise require in the Manuals or otherwise in writing; and
- (g) procure and maintain in force adequate public liability, personal injury and property damage

insurance in such amounts as Franchisor reasonably determines from time to time protecting Franchisor and Franchisee against loss or damage arising in connection with the Development of the Premises.

#### **5.05 Use of the Premises**

Franchisee shall use the Premises only for the operation of a Beauty Bar and for no other purpose without the prior written approval of Franchisor, which may be withheld by Franchisor in its sole discretion. Franchisee agrees to permit Franchisor to use the Premises from time to time for training of new franchisees without charge.

#### **5.06 Opening of Franchised Business**

Franchisee must obtain Franchisor's permission and approval of an opening date, which Franchisor will not unreasonably withhold provided Franchisee has complied with all of its training-related and other pre-opening obligations and the Franchised Business is ready to be opened in accordance with all System standards and specifications. Unless Franchisor agrees otherwise in a separate written agreement, Franchisee must open the Franchised Business to the public at the earlier of: (a) within five (5) days after Franchisor determines that the Franchised Business is in suitable condition for opening; or (b) twelve (12) months from the date this Agreement is executed. If Franchisee does not open or operate the Franchised Business within this time period, then Franchisor may terminate this Agreement.

#### **5.07 Relocation of Franchised Business**

Franchisee shall operate the Franchised Business only at the Premises and may not relocate except with Franchisor's prior written approval. If, prior to the termination or expiration of this Agreement, the Lease expires or terminates without the fault of Franchisee; or if the Premises are destroyed, condemned or otherwise rendered unusable; or if, in the judgment of Franchisor, there is a change in the character of the location of the Premises sufficiently detrimental to its business potential to warrant the relocation of the Franchised Business, Franchisee may relocate the Franchised Business to a location approved by Franchisor in its reasonable discretion. Any such relocation shall be at Franchisee's sole cost and expense and Franchisee must pay a relocation fee in the amount of One Thousand Dollars (\$1,000) plus the reasonable costs and expenses incurred by Franchisor in connection with evaluating and/or approving such relocation request.

### **6. MARKS**

#### **6.01 Ownership of the Marks**

Franchisee acknowledges that Franchisor's Affiliate, Ten Spot IP ("Owner"), is the owner of the Marks and that Franchisor has the right, pursuant to a license agreement with Owner, to use and to grant licenses for the Marks. Franchisee further acknowledges that neither this Agreement nor the operation of the Franchised Business shall in any way give, or be deemed to give, Franchisee any interest in the Marks except for the right to use the Marks pursuant to the terms of this Agreement.

#### **6.02 Integrity of Marks**

Franchisee shall operate the Franchised Business utilizing the Marks without any accompanying words or symbols of any nature, unless first approved in writing by Franchisor. No part of the Marks nor any words similar thereto shall, without the approval of Franchisor, be included in any internet address or in any corporate name used by Franchisee or by any person which has a direct or indirect interest in Franchisee or

in which Franchisee may, at any time, have a direct or indirect interest.

### **6.03 Use and Display of Marks**

Franchisee shall use the Marks only in the operation of the Franchised Business. Franchisee shall prominently display at the Premises a sign, in form approved by Franchisor, stating that the Franchised Business is independently owned and operated by Franchisee under license from Franchisor. If Franchisee utilizes any of the Marks on any stationary, invoices, purchase orders, pamphlets or promotional material, such items shall expressly indicate that Franchisee is a franchisee of Franchisor and a licensee of the Marks. Franchisee agrees not to use the Marks in any manner calculated to represent that it has any right, title or interest in and to any of the Marks other than the right to use the Marks in accordance with the terms of this Agreement. Franchisee agrees during the term of this Agreement and thereafter, not to dispute or contest, directly or indirectly, the validity or enforceability of any of the Marks nor counsel, procure or assist anyone else to do the same, nor directly or indirectly attempt to depreciate the value of the goodwill attaching to the Marks.

### **6.04 Change of Marks**

If it becomes advisable at any time in the sole discretion of Franchisor for Franchisee to modify or discontinue the use of any of the Marks or to use one or more additional or substitute trade names or trademarks, Franchisee agrees to do so at its sole cost and expense.

### **6.05 Infringement Notification**

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to Franchisee's use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Owner's counsel in connection with any such infringement, challenge, or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor or Owner shall have the right to take such action as they deem appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may in the opinion of Franchisor or Owner's counsel, be necessary or advisable to protect and maintain Franchisor and Owner's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor and Owner's interest in the Marks.

### **6.06 Indemnification of the Marks**

Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Marks licensed under this Agreement in connection with the Franchised Business, provided: (a) such use is in full compliance with Franchisor's standards and specifications; and (b) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section 6.06, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 6.06. Notwithstanding anything in this Section 6.06 to the contrary, Franchisor's liability under this Section 6.06 shall be limited to no more than the Initial Franchise Fee paid under this Agreement.

## **7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION**

### **7.01 Confidentiality**

Franchisee acknowledges that Franchisor shall disclose trade secrets and other confidential information to Franchisee during the training program, through the Manuals, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the trade secrets or other confidential information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the trade secrets or other confidential information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the trade secrets and other confidential information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee and all holders of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and all officers, directors, executives, managers, and members of the professional staff of Franchisee, and all employees and independent contractors of Franchisee who have access to trade secrets or other confidential information: (a) shall not use the trade secrets or other confidential information in any other business or capacity; (b) shall maintain the absolute confidentiality of the trade secrets and other confidential information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the trade secrets or other confidential information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the trade secrets and other confidential information. Franchisee shall enforce this Section 7.01 as to its employees, independent contractors, agents, and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of trade secrets or other confidential information by any of them.

### **7.02 Additional Developments**

All ideas, concepts, techniques, or materials concerning the System or developed, in whole or in part, using trade secrets or other confidential information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee hereby agrees to assign to Franchisor all right, title, and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

### **7.03 Non-Competition During the Term of this Agreement**

Franchisee will at all times faithfully, honestly, and diligently perform its obligations hereunder and will continuously exert its best efforts to promote and enhance the Franchised Business. In addition, Franchisee acknowledges that Franchisor would be unable to protect the trade secrets and other confidential information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Beauty Bar franchisees if owners of Beauty Bars were permitted to hold an interest in or perform services for any Competing Business. Therefore, during the term of this Agreement, neither Franchisee, nor any of its owners, nor any spouse of Franchisee or any of its owners, nor any holder of a legal or beneficial interest in Franchisee, shall either directly or indirectly, for themselves, or through,

on behalf of or in conjunction with any person, partnership, corporation, limited liability company, or other business entity:

- (a) Divert or attempt to divert any business or customer of the Franchised Business or any other Beauty Bar to any Competing Business, by direct or indirect inducement or otherwise;
- (b) Own an interest in, manage, operate, grant a franchise to, advise, help, make loans to, lease property to, or perform services as a director, officer, manager, employee, consultant, representative, or agent for any Competing Business which is located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks, or operates or licenses others to operate a business under the Marks or similar marks; or
- (c) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

#### **7.04 Nondisclosure and Non-Competition Agreements with Certain Individuals**

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager, or member of the professional staff, and all employees and independent contractors of Franchisee who have access to trade secrets or other confidential information, to execute a nondisclosure and non-competition agreement, in a form attached as Exhibit “D,” upon execution of this Agreement or prior to each such person’s affiliation with Franchisee. Upon Franchisor’s request, Franchisee shall provide Franchisor with copies of all Nondisclosure and Non-Competition Agreements signed pursuant to this Section 7. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

#### **7.05 Reasonableness of Restrictions**

Franchisee acknowledges that the restrictive covenants contained in this Section 7 are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System, and the Marks, and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable, or otherwise unenforceable. Franchisor has the right, in its sole discretion, to reduce the scope of any restriction in Section 7.03 by giving Franchisee written notice and Franchisee agrees to comply with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 20.15. The parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained in this Section 7 shall not render any other part unenforceable.

#### **7.06 Enforcement**

It is the parties’ intent that the provisions of this Section 7 be judicially enforced to the fullest extent permissible under applicable law. Franchisee agrees that the existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to Franchisor’s enforcement of this Section 7. Franchisee agrees to pay all costs and expenses (including reasonable attorneys’ fees) that Franchisor incurs in connection with the enforcement of this Section 7. In the event of the actual or threatened breach of this Section 7 by Franchisee or any individual subject to the restrictions contained in this Section 7, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Injunctive relief will be in addition to any other remedies Franchisor may



have. Franchisee agrees that, in the event of the actual or threatened breach of this Section, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 7 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 7 in no way prevent any such person from earning a living.

## **8. TRAINING AND ASSISTANCE**

### **8.01 Initial Training**

- (a) Franchisee and its Initial Training Team must attend (and/or actively participate in) and successfully complete to Franchisor's satisfaction all appropriate portions of the Remote Training, Corporate Training and Initial On-Site Training that Franchisor designates and requires as part of its initial training program prior to opening the Franchised Business. Franchisor reserves the right to administer any aspect of its training programs virtually.
- (b) Before Franchisor approves or schedules the Principal Owner (or any of Initial Training Team personnel) to attend the Corporate Training and/or Initial On-Site Training, Franchisor may require that Franchisee: (i) submit, and obtain Franchisor's approval of, Franchisee's proposed expenditures in connection with the initial marketing plan that Franchisee must develop and Franchisor must approve to (a) promote, market and advertise the grand opening of the Franchised Business, and (b) conduct certain pre-opening sales activities designed to generate clientele leads and/or appointments prior to opening, as Franchisor approves; (ii) undertake all steps to establish the EFT Account to use in connection with the Franchised Business, including ensuring that both Franchisor and its designee have authorization to access and deduct amounts from the EFT Account pursuant to a signed EFT Authorization Form; (iii) demonstrate that Franchisee has all required insurance policies in place and that such policies name Franchisor and its designees as additional insureds; and (iv) provide Franchisor with completed and signed copies of all exhibits to this Agreement, to the extent such exhibits have not been signed or need to be updated/completed. The Principal Owner must also complete any additional or refresher training that Franchisor requires the Principal Owner to attend each year and the Principal Owner must attend Franchisor's annual conference if conducted.
- (c) Franchisee's Principal Owner and Designated Manager must participate in and complete all components of the initial training designated by Franchisor.
- (d) Franchisor may permit or require that Franchisee's Principal Owner, Designated Manager, and prospective and existing personnel of the Franchised Business complete or attend (as applicable) the components of the Remote Training and/or Initial On-Site Training designed to cover the specific areas of instruction that relate to the roles and corresponding responsibilities that Franchisee has identified for each trainee.
- (e) Franchisee must pay the Initial Training Fee, as well as cover all the costs and expenses associated with the different components of Franchisor's initial training program that will be provided to Franchisee and the rest of the Initial Training Team, as Franchisor determines appropriate based on the roles Franchisee identifies for each team member, as specifically set forth in Section 3.06 of this Agreement. Failure to timely pay these fees may result in Franchisor (i) withholding its approval for the Initial Training Team to attend the corresponding training component and/or (ii) terminating this Agreement if not timely cured within the cure period (if any) set forth for this specific default herein. If any individual fails to complete a given portion of the required initial training described in this Section 8.01, then

Franchisor will have the right to require re-attendance before such individual may commence or resume any role with the Franchised Business management or operations, and may charge Franchisee its then-current Training Fee for any such re-training of such individual(s).

- (f) Unless Franchisor agrees otherwise in a separate writing, Franchisee agrees and acknowledges that (i) Franchisee's Principal Owner and Designated Manager will complete Remote Training within thirty (30) days after signing the Lease for the Premises, (ii) other required Initial Training Team Members, including any Designated Manager, must complete Remote Training prior to Franchisor providing any Initial On-Site Training, (iii) Corporate Training must be completed at least thirty (30) days prior to the contemplated opening of the Franchised Business, and (iv) Initial On-Site Training must be completed at some point during the two (2) week period preceding the contemplated opening date.

### **8.02 Subsequent Personnel Training**

Once Franchisor has provided the Initial On-Site Training, it will be the sole responsibility of Franchisee and its management to ensure that all subsequent personnel of the Franchised Business (a) attend and complete any specific training that must be provided by Franchisor (if a Designated Manager), and (b) receive from Franchisee directly all other training and instruction that Franchisor provided to personnel in similar role(s) as part of the On-Site Initial Training or other pre-opening instruction from Franchisor.

### **8.03 Additional Training; Additional On-Site Assistance; Remedial Training**

- (a) Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require the Principal Owner and Designated Manager to attend such courses ("Additional Training"). Franchisor will not require Franchisee's designated attendees to pay its then-current Training Fee in connection with attending additional/refresher training, unless (a) Franchisee requests such Additional Training, and/or (b) such Additional Training is provided on-site at the Premises of the Franchised Business (regardless of whether Franchisee requested such Additional Training).
- (b) If Franchisor determines that Franchisee is operating the Franchised Business in a manner that is not consistent with the terms of this Agreement or the Manuals, or if Franchisee is otherwise in material default of this Agreement, Franchisor may also require that Franchisee's Principal Owner, its Designated Manager and/or other personnel of the Franchised Business related to the non-compliance attend and complete up to five (5) additional days of Remedial Training at (a) Franchisor's designated training facility, (b) the Franchised Business, or (c) another location Franchisor designates, that is designed to address the default or other non-compliance issue. Franchisor may require Franchisee and its designated trainees to pay Franchisor its then-current training fee in connection with attending Remedial Training, and Franchisee will be responsible for the costs and expenses associated with Franchisee and any personnel attending such training.
- (c) Before Franchisee or its Affiliates open their fourth Beauty Bar, Franchisee must designate a "Brand Trainer" approved by Franchisor who will be the person responsible for training the lead estheticians of Franchisee's Beauty Bars. Each Brand Trainer hired by Franchisee must complete Franchisor's Brand Trainer training program and Franchisee must pay Franchisor its then-current Brand Trainer Training Fee. Brand Trainers must be recertified annually and Franchisee must pay Franchisor's then-current recertification fees.

#### **8.04 Seminars and Conferences**

Franchisor may, from time to time, make available to all or certain of its System franchisees, and/or other Beauty Bar owners, seminars or conferences at such times and places and for such fees as Franchisor determines appropriate in its discretion. Franchisee will be solely responsible for (a) the travel, accommodation and living expenses incurred by its attendees attending any such seminar or conference each year, and (b) paying Franchisor's then-current attendance fee for such event(s) that Franchisor reserves the right to collect hereunder.

### **9. CONFIDENTIAL OPERATIONS MANUAL**

#### **9.01 Manuals**

Franchisor will provide intranet access to, or loan a copy of, the Manuals, to Franchisee, for its use during the term of this Agreement. Franchisor may modify the Manuals from time to time to reflect changes in the System. Franchisor may also establish and maintain Franchisor's website portal, wherein Franchisor may post content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed as part of the manuals on such website portal. The Manuals, including all new pages and all superseded pages, shall remain the property of Franchisor. The master copy of the Manuals maintained by Franchisor at its head office will govern any dispute between the parties regarding the contents of the Manuals.

#### **9.02 Revisions**

Franchisor has the right to add to or otherwise modify the Manuals from time to time to reflect changes in the specifications, standards, operating procedures, and rules prescribed by Franchisor. Franchisor may make additions or modifications without prior notice to Franchisee. Franchisee shall immediately, on notice, adopt any such changes and ensure that Franchisee's copies of the Manuals are up-to-date at all times. These required standards exist to protect Franchisor's interests in the overall System standards and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee.

#### **9.03 Confidentiality**

The Manuals contain trade secrets and other confidential information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of this Agreement and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that the Manuals are available at the Franchised Business in a current and up-to-date manner. If the Manuals are in paper form or on computer-readable media, Franchisee shall maintain the Manuals in a secure manner at the Franchised Business; if the Manuals are in electronic form, Franchisee shall maintain the Manuals in a password-protected file. Franchisee shall only grant authorized personnel, as described in Section 7 above, access to the Manuals or any key, combination or passwords needed for access to the Manuals. Franchisee shall not disclose, duplicate, or otherwise use any portion of the Manuals in an unauthorized manner.

### **10. SYSTEM STANDARDS**

#### **10.01 Uniformity**

Franchisee shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures, and rules set forth in this Agreement, the Manuals, or other communications supplied to Franchisee by Franchisor.

## **10.02 System Modification**

Franchisee acknowledges that the System and methods of marketing and promotion must continue to evolve in order to reflect the changing market and to meet new and changing consumer demands and that accordingly, variations and additions to the System may be required from time to time in order to preserve and enhance the public image of the System and to ensure the continuing efficiency of the System generally. Accordingly, Franchisee acknowledges that Franchisor may, from time to time, change, supplement, improve, further develop, and otherwise modify the System and System standards, at times by updating Franchisor's website portal, and Franchisee agrees to comply with all of Franchisor's requirements in that regard, including, without limitation, the adoption and use of new or modified trademarks, products, services, Required FFE and Related Operational Assets, new techniques and methodologies and methods of promotion, and providing enhanced customer service. Franchisee agrees to promptly accept, implement, use and display in the operation of the Franchised Business all such additions, modifications and changes, at its sole cost and expense.

## **11. ADVERTISING AND PROMOTIONAL ACTIVITIES**

### **11.01 Pre-Opening and Grand Opening Advertising**

- (a) Franchisee must expend certain amounts that (i) Franchisor designates, which shall not be less than Ten Thousand Dollars (\$10,000), to conduct a pre-opening promotional and clientele/sales generation campaign, and (ii) Franchisee otherwise incurs in connection with certain pre-opening obligations of Franchisee and its personnel, including without limitation, participating in and completing the Initial On-Site Training. Franchisee shall obtain Franchisor's prior written approval to all activities and advertising and promotional materials forming a part of the pre-opening promotional campaign and grand opening activities. Franchisor may, in its sole discretion, require that Franchisee pay this designated amount, which shall not be less than Ten Thousand Dollars (\$10,000), directly to Franchisor, in which case Franchisor will expend this amount in connection with a pre-opening promotional and clientele/sales generation campaign on Franchisee's behalf.
- (b) Franchisor may, in its sole discretion, coordinate and arrange for certain of the pre-opening promotional campaign and grand opening promotional activities, with Franchisee covering all costs associated with such activities. Franchisor will consult with Franchisee regarding the pre-opening promotional campaign and grand opening promotional activities, provided that all decisions regarding the pre-opening promotional campaign and grand opening promotional activities that Franchisee must devote to such activities must be consistent with Franchisor's directives in the Manuals or otherwise. Franchisor may require that Franchisee expend all or any portion of these funds on items or services that are provided by Franchisor's designated or approved supplier.

### **11.02 Brand Fund Contribution**

Franchisor has established the Brand Fund, which is designed to promote the System, Marks and Franchisor's brand generally, and Franchisee must contribute two percent (2%) of the Gross Sales of the Franchised Business to the Brand Fund throughout the term of this Agreement (the "**Brand Fund Contribution**"), which will be collected at the same time and in the same manner as the Royalty unless Franchisor notifies Franchisee otherwise in writing. Upon sixty (60) days' prior written notice to Franchisee, Franchisor may modify the manner in which the Brand Fund Contribution is calculated to the greater of (a) up to three percent (3%) of the Gross Sales of the Franchised Business over the prior Business Week or other applicable reporting period, or (b) One Thousand Two Hundred Dollars (\$1,200) per month.

### 11.03 Brand Fund

- (a) Franchisor will use the Brand Fund, and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Marks, and Approved Products or Services.
- (b) Franchisor is not obligated to spend monies from the Brand Fund in any particular franchisee's market in proportion to the payments to the Brand Fund made by the franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally and Franchisee acknowledges that its contributions to the Brand Fund shall be combined with contributions to the Brand Fund by Beauty Bars located in Canada and other countries.
- (c) The Brand Fund may be used to meet any and all costs of: maintaining, administering, directing, and preparing advertising, including any and all digital marketing/advertising content, as well as employing training, technology and/or other developmental tools designed to enhance the System or that are otherwise associated with training tools designed to assist Beauty Bar owners. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining Franchisor's System website, employing advertising and public relations agencies, purchasing promotional items, providing other marketing materials and services to the Beauty Bars operating under the System, and any other activities that Franchisor determines appropriate to develop the brand and/or System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Brand Fund, including administrative costs, salaries, and overhead expenses related to administering the Brand Fund and its programs. No part of the Brand Fund shall be used by Franchisor to defray any of its general operating expenses, other than those Franchisor allocates to the kind of advertising, marketing, promotional and/or brand development efforts, expenditures and activities described in this Section or other activities reasonably related to the administration or direction of the Brand Fund.
- (d) Franchisor shall administratively segregate all contributions to the Brand Fund on its books and records. All such payments to the Brand Fund may, but are not required to, be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the Brand Fund in accordance with the terms hereof. Franchisor may, in its sole discretion, elect to accumulate monies in the Brand Fund for such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. The parties do not intend that the Brand Fund be deemed a trust.
- (e) Franchisor shall, on an annual basis, account for the operation of the Brand Fund and prepare an unaudited financial statement evidencing such accounting, which will be available to Franchisee upon its written request one hundred twenty (120) days after Franchisor's fiscal year end. Franchisor will not be required to provide an audit with respect to the Brand Fund, but may do so at its option and may use the Brand Fund to cover the costs associated with said audit. Franchisor may also dissolve or suspend the Brand Fund at any time after it is established.



#### 11.04 Local Advertising; Advertising Cooperatives

- (a) In addition to the amounts that Franchisee must expend in connection with its grand opening marketing and other opening-related activities described in Section 11.01 above, Franchisee must expend a minimum of Five Hundred Dollars (\$500) each month that the Franchised Business is open and operating on advertising and marketing the Franchised Business within the Designated Territory (the “**Local Advertising Requirement**”). Upon Franchisor’s request, Franchisee must provide Franchisor with invoices or other written evidence of its monthly expenditures on local advertising and marketing for the months that Franchisor identifies in its request within ten (10) days of receiving that request from Franchisor. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only; and (ii) the Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates.
- (b) All advertising and promotion used by Franchisee in connection with the Franchised Business must be approved by Franchisor and conform to the standards and requirements specified by Franchisor. Franchisor may make available to Franchisee from time to time, at Franchisee’s expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. Franchisee must also participate in certain promotions and advertising programs that Franchisor establishes as an integral part of the System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. If Franchisee wishes to use any advertising or promotional materials other than those that Franchisor has previously approved or designated within the preceding twelve (12) month period, then Franchisee must submit the materials it wishes to use to Franchisor for its prior written approval at least thirty (30) days prior to publication. Franchisor will use commercially reasonable efforts to notify Franchisee of its approval or disapproval of the proposed materials within fifteen (15) days of the date Franchisor receives the materials from Franchisee. If Franchisee does not receive Franchisor’s written approval during that time period, however, the proposed materials are deemed disapproved and Franchisee may not use such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously-approved materials in writing. Franchisor may require Franchisee to discontinue the use of any advertising or marketing material, including materials Franchisor previously approved, at any time. Franchisee will be required to purchase and display any signage in certain parts of the Franchised Business that have high visibility for purposes of notifying customers and prospective customers of specials/promotions regarding the Approved Products and Services.
- (c) Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (i) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted to any other Beauty Bar location or franchisee/developer, and/or (ii) Franchisor otherwise provides its prior written consent in writing (which may occur with respect to digital and other advertising campaigns that are not geographically targeted or able to be limited to a particular region).
- (d) Franchisor may establish regional advertising cooperatives that are comprised of multiple Beauty Bar owners located within a geographical region that Franchisor designates (each, a “**Cooperative**”). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in an amount not to exceed Franchisee’s then-current Local Advertising Requirement. All amounts paid to a

Cooperative will be credited towards Franchisee's Local Advertising Requirement (if any). Franchisor shall have the right to specify the governing rules, terms and operating procedures of any Cooperative.

#### **11.05 Advertising Council**

Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Brand Fund and various other advertising/marketing matters (an "**Advertising Council**"). If Franchisor establishes an Advertising Counsel, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Beauty Bars, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.

#### **11.06 Internet Marketing and Advertising**

- (a) Except as approved in advance in writing by Franchisor, Franchisee may not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Instagram, LinkedIn, Instagram, Pinterest, Twitter, YouTube or any other social media and/or networking site. Any such Internet website or presence is considered "advertising" and must be approved by Franchisor prior to use. If Franchisor permits Franchisee to establish one or more of the above presences on the Internet, Franchisee must: (i) establish and operate its World Wide Web or Internet site in accordance with System standards and any other policies Franchisor designates in the Manuals or otherwise in writing from time to time; and (ii) utilize any templates that Franchisor provides to Franchisee to create and/or modify such sites. Franchisee may not register any Internet domain name that contains words used in or similar to any brand name owned by Franchisor or its affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.
- (b) Franchisor has the right to establish and maintain a primary website, that may, without limitation, promote the Marks and/or the System, including the contact information of the Franchised Business. Franchisor has the right to discontinue operation of the System website at any time without notice to Franchisee.

#### **11.07 Gift Cards and Membership Programs**

Franchisor has the right to establish and thereafter supplement or otherwise modify programs and policies related to the purchasing, issuing, processing and consideration allocation associated with Gift Cards and Membership Programs, whether online or otherwise, for the System administered by Franchisor on behalf of all Beauty Bars. Franchisee shall offer for sale, issue, and redeem all Gift Cards and shall participate in any such Membership Programs in accordance with the procedures specified from time to time by Franchisor in the Manuals, or otherwise in writing, including with respect to the inclusion and exclusion of revenues related to the purchase or redemption of Gift Cards and Membership Programs in Gross Sales and with respect to the provision of any discounts and membership perks associated with Membership Programs. Franchisee shall make timely payment to Franchisor, other Beauty Bar operators, or third party service providers associated with Gift Cards and Membership Programs. Franchisee agrees to honor all Gift Cards and Membership Programs, whether originally issued to a customer by Franchisee, Franchisor, or another franchisee of Franchisor. You must comply with all applicable laws with respect to Gift Cards and



Membership Programs.

### **11.08 Pricing**

Franchisee shall be solely responsible for determining the prices of products and services offered at the Franchised Business; provided, however, Franchisor reserves the right to require Franchisee to comply with any maximum or minimum resale pricing restrictions implemented by Franchisor. Any such pricing adjustments shall be made in Franchisor's reasonable business judgment as market conditions dictate in order to enhance sales and maximize profitability of all Beauty Bars, and only to the extent that such pricing does not violate applicable law. Franchisee acknowledges that: (a) any such pricing restrictions at Beauty Bars are essential to maintaining and furthering the goodwill and appeal that has come to be associated with the Beauty Bars and the System; and (b) Franchisor's required pricing policies are not anti-competitive and benefit Franchisee because they ensure uniform prices to consumers and avoid any unfair competitive advantage in favor of any Beauty Bar.

## **12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS**

### **12.01 Bookkeeping, Accounting and Records**

Franchisee shall establish a bookkeeping, accounting, and record-keeping system conforming to the requirements prescribed from time to time by Franchisor. Franchisee shall purchase or lease all necessary computer hardware and software in order to implement any computerized point-of-sale, bookkeeping, and accounting systems required by Franchisor, shall at all times maintain such hardware and software in good working order and condition and shall upgrade such hardware and software from time to time as is reasonably required by Franchisor. Franchisee and all personnel employed by Franchisee shall record at the time of sale, in the presence of the customer, all sales or other transactions, whether for cash, credit, or by electronic equivalent, on a point of sale system having a cumulative total and having such other features as required by Franchisor from time to time.

Franchisee shall, throughout the term of this Agreement, employ or retain a qualified bookkeeper to maintain the books and records of the Franchised Business. Franchisee agrees to hire or retain such bookkeeper prior to or immediately following the opening of the Franchised Business. Franchisor shall have the right to require that Franchisee shall use its designate accountant or bookkeeper for the maintenance of Franchisee's books and records.

### **12.02 Reports and Financial Information**

Throughout the term of this Agreement, Franchisee shall furnish to Franchisor, in form prescribed from time to time by Franchisor:

- (a) on or before Thursday of each week, a report of the Gross Sales for the immediately preceding Business Week, along with Franchisee's calculated Royalty Fee and Brand Fund Contribution (if appropriate);
- (b) on or before the tenth (10<sup>th</sup>) day of each month, financial statements for the Franchised Business, including a balance sheet, profit and loss statement and a statement of retained earnings for the previous month, which statements shall be signed and verified by Franchisee;
- (c) as soon as practicable, and in any event within ninety (90) days after the end of each fiscal year of Franchisee, financial statements for the Franchised Business, including a balance sheet, profit and loss statement and a statement of retained earnings for such period which statements

shall be signed and verified by Franchisee; and

- (d) such other statements and reports respecting the operation of the Franchised Business as Franchisor reasonably requests from time to time.

Franchisee acknowledges that such information will be furnished solely for information purposes and Franchisor undertakes no obligation to review such information or to advise Franchisee in connection therewith.

Such reporting shall be submitted by such dates as are specified in writing by Franchisor. Franchisor may require Franchisee to have a certified public accountant review Franchisee's monthly financial statements on a quarterly basis, the expense of which shall be borne entirely by Franchisee, and then submit such quarterly reviews to Franchisor. Franchisee also shall immediately notify Franchisor in writing when one or more liens or judgments are filed against Franchisee, the Franchised Business and/or any of the personal guarantors (if any) under this Agreement.

### **12.03 Late Reporting Fee**

In the event Franchisee fails to submit any given report, financial or otherwise, to Franchisor as required by this Agreement, including without limitation, any financials related to the Franchised Business, Franchisor reserves the right to charge Franchisee a late reporting fee amounting to Two Hundred Dollars (\$200) per report that is outstanding and invoice Franchisee for the same.

### **12.04 Franchisor's Right to Audit and Underreporting**

Franchisee agrees that Franchisor shall, at all reasonable times and without prior notice to Franchisee, have the right to inspect or audit, or cause to be inspected or audited, the financial books, records, bookkeeping and accounting records, and tax returns in respect of the Franchised Business. Franchisee shall fully cooperate with representatives of Franchisor or its agents conducting any such inspection or audit. If any such audit or inspection discloses an understatement of Gross Sales for any period, Franchisee shall immediately pay to Franchisor any deficiency in Royalty Fees, Advertising Fees and other fees required hereunder together with interest thereon as provided for in this Agreement, calculated from the date when such fees were due and payable to Franchisor. Further, in the event that such audit is made necessary by the failure of Franchisee to furnish reports, financial statements or tax returns as required by this Agreement, if Franchisee's records were insufficient to permit a determination of Gross Sales for any period or if an understatement of Gross Sales is determined by any such audit to be greater than two (2%) percent, Franchisee shall reimburse Franchisor for the cost of such audit, including without limitation, the travel expenses, room, board and compensation of employees or agents of Franchisor, and Franchisor shall have the right to require that all further financial statements required by the terms of this Agreement be in audited form.

### **12.05 Inquiry by Franchisor**

Franchisee hereby authorizes Franchisor to make reasonable inquiry of Franchisee's bankers, suppliers, and other trade creditors of the Franchised Business as to their dealings with Franchisee in relation to the Franchised Business and Franchisee hereby authorizes and directs such bankers, suppliers and other trade creditors to disclose to Franchisor the affairs, finances and accounts of the Franchised Business and to provide to Franchisor information and copies of invoices relating to sales or other dealings between all such persons. Franchisee agrees to provide such authorizations as may be required to permit such bankers, suppliers or other trade creditors to release or disclose any such information and documents to Franchisor.

## **12.06 Computer System and Related Accounts**

- (a) Franchisee must install and maintain the necessary computer hardware and software at the Franchised Business as specified by Franchisor (the “**Computer System**”), including without limitation, the designated point-of-sale (“**POS**”) system hardware and corresponding POS software, throughout the term of this Agreement. Franchisee must obtain and maintain throughout the term of this Agreement such point of sale and customer management software and high-speed internet access as required from time to time by Franchisor. Franchisee shall pay to Franchisor or to Franchisor’s Approved Supplier from time to times such fees as may be chargeable from time to time on account of Franchisee’s use of such point-of-sale and customer management software.
- (b) Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view the Computer System, including POS System information, via the Internet, other electronic means or by visiting the Beauty Bar, in order to obtain Gross Sales, tenant occupancy rates and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement. Franchisor may require Franchisee to use a Computer System and/or related software that is administered through Franchisor and that provides Franchisor with automatic access to all data and reports that might be created by such Computer System and/or software. Any and all information contained in the POS System and Computer System related to the Franchised Business operations shall be the sole property of Franchisor and constitute part of the “Confidential Information” that Franchisee must not disclose or use for any other purpose consistent with the confidentiality terms of this Agreement.
- (c) Franchisee shall establish and maintain throughout the term of this Agreement such accounts as required from time to time by Franchisor for Franchisee, the Franchised Business and the Designated Manager, if any, for the purpose of sending and receiving electronic messages and for access to Franchisor’s intranet. Franchisee shall pay to Franchisor such fees as may be required from time to time to establish and maintain such accounts.

## **12.07 Release of Records**

At Franchisor’s request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties’ possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

### **13. STANDARDS OF OPERATION**

#### **13.01 Comply with Standards**

Throughout the term of this Agreement, Franchisee shall comply with all specifications, standards, and operating procedures from time to time prescribed by Franchisor, in the Manuals or otherwise, relating to the System and to the operation of the Franchised Business, including without limitation:

- (a) the safety, maintenance, cleanliness, function and appearance of the Franchised Business, the Premises, and the Required FFE and Related Operational Assets;
- (b) the general appearances of employees and managers of the Franchised Business;
- (c) all health and safety regulations applicable to the Franchised Business and to Franchisee's employees providing the Approved Services;
- (d) the use of social media; and
- (e) the hours and days during which the Franchised Business must be open for business, or as we may otherwise approve in writing. As of the Effective Date, the Franchised Business must be open for business seven (7) days a week.

All such specifications, standards, and operating procedures shall be reasonable and shall comply with the requirements of all applicable laws, by-laws, and regulations. Specifications, standards and operating procedures prescribed from time to time by Franchisor in the Manuals, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein.

#### **13.02 Management and Staffing of the Franchised Business**

- (a) Franchisee acknowledges that it is essential to the proper and efficient operation of the Franchised Business that it at all times be under the direct supervision and management of the Principal Owner, a Designated Manager, or an individual who has completed the initial training program.
- (b) Franchisee shall designate an individual to serve as the Designated Manager of the Franchised Business who will provide on-premises supervision of the Franchised Business provided that such Designated Manager is approved by Franchisor and has satisfactorily completed Franchisor's initial training program. The Principal Owner or another individual who has an ownership interest in Franchisee may serve as the Designated Manager if authorized to do so by Franchisor. Franchisor shall have the right at any time to require that Franchisee designate another individual to serve as the Designated Manager of the Franchised Business if Franchisor determines, in its reasonable discretion that such Designated Manager is failing to satisfactorily manage the day-to-day operations of the Franchised Business in accordance with the System. Such other individual shall first be required to attend and satisfactorily complete Franchisor's initial training program and Franchisee shall reimburse Franchisor for its costs and expenses in providing such training. Notwithstanding the designation of a Designated Manager for the Franchised Business, Franchisee acknowledges and agrees that it is responsible for the proper supervision and management of the Franchised Business.
- (c) Franchisee has sole responsibility for all employment decisions and functions of the Franchised Business, including those related to hiring, firing, training, wage and hour

requirements, recordkeeping, supervision, and discipline of employees, despite any information or advice Franchisor may provide. Franchisee must maintain a competent, conscientious, trained staff with enough estheticians to operate the Franchised Business in conformance with the System standards. Franchisee must take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. Franchisor will have the ongoing right to approve or disapprove of the service of any particular esthetician or manager if that individual (i) has failed to complete all requisite training (including any additional, refresher or Remedial Training), and/or (ii) if Franchisor determines, in its reasonable discretion, that such esthetician is failing to provide the Approved Services in accordance with the standards and specifications of the System.

### **13.03 Compliance with Laws**

Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, by-laws, and regulations.

### **13.04 Authorized Equipment, Supplies, and Inventory**

Franchisee agrees to use in and about the Premises only Required FFE and Related Operational Assets and such supplies and products as are from time to time authorized by Franchisor and which conform to uniform standards and specifications of Franchisor. Franchisee shall maintain each item of Required FFE and Related Operational Assets from time to time used in connection with the Franchised Business in good order and repair.

### **13.05 Condition and Appearance of the Franchised Business**

Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires or designates in writing. If Franchisee fails to take such action within thirty (30) days after receiving notice from Franchisor of certain actions that must be taken pursuant to this Section, then Franchisor may (but is under no obligation to and without prejudice to any other rights or remedies that Franchisor has hereunder) cause such repair or maintenance to be done, at the sole cost and expense of Franchisee. Franchisee must promptly reimburse Franchisor, on demand, for all costs and expenses incurred in connection therewith (no less than ten (10) days from date of demand).

### **13.06 Approved Products and Services**

Franchisee shall, in the operation of the Franchised Business, advertise and offer for sale from the Franchised Business only, and all of, the Approved Services and Approved Products as are authorized from time to time. Franchisee shall not advertise or offer for sale any unauthorized goods or services on or from the Premises or in connection with the operation of the Franchised Business or the use of the Marks.

### **13.07 Designated and Approved Suppliers**

Franchisee shall purchase all Required FFE and Related Operational Assets, Approved Products, inventory, supplies and paper goods only from the Approved Supplier that Franchisor has designated or approved for

that specific Required Item. Franchisee further agrees and acknowledges that Franchisor shall be entitled to receive and retain, without accountability to Franchisee, rebates, discounts, allowances, benefits, and other similar compensation that Franchisor may obtain from any supplier by reason of such supplier supplying products or services to its franchisees.

### **13.08 Alternative Supplier Approval**

If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request and pay Franchisor's then-current product/supplier evaluation fee (the "**Evaluation Fee**"). At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (a) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section 13.08; and (b) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section 13.08 shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

### **13.09 Payment Providers**

Franchisee agrees to at all times have arrangements in existence with such credit card issuers or sponsors and electronic funds or debit card transfer systems as Franchisor designates or approves in writing from time to time to enable Franchisee to accept customer's credit cards, cheques and other methods of payment for goods supplied or for services rendered in connection with the operation of the Franchised Business.

### **13.10 Maintain Working Capital**

During the term of this Agreement, Franchisee agrees to maintain at all times sufficient working capital for the Franchised Business to enable Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities hereunder and to operate the Franchised Business in a proper, efficient and



effective manner.

### **13.11 Customer and Public Relations; Quality Assurance Programs**

Franchisee agrees to maintain at all times a sufficient number of adequately trained personnel to service all customers of the Franchised Business. Franchisee further agrees to ensure that at all times prompt, courteous and efficient service is accorded to customers of the Franchised Business and agrees to adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with Franchisee's personnel, customers and suppliers. Franchisee shall participate in programs required from time to time by Franchisor regarding customer satisfaction or Franchisee's compliance with the System, which may include (but are not limited to) a guest feedback hotline, guest survey programs, mystery shopping, or other programs as Franchisor may require. Franchisee shall be responsible for the third-party costs of conducting such programs in connection with the Franchised Business if such a program reveals a deficiency in operations.

### **13.12 Right to Manage**

Without waiving any right it may have to terminate this Agreement, if Franchisor determines in its reasonable discretion, that the operation of the Franchised Business poses a risk to the health and safety of the employees or customers of the Franchised Business, Franchisor shall have the right, at any time and from time to time during the term of this Agreement, to enter upon and assume operation and management of the Franchised Business, for such time as it determines, on behalf of Franchisee. All costs and expenses of such operation and management shall be for the account of Franchisor and shall be paid to Franchisor on demand and Franchisor shall have the right to charge the Management Fee referenced in Section 16.02.

### **13.13 Guarantee, Indemnification, and Acknowledgement**

If Franchisee is an entity, Franchisee's owners and their spouses shall each shall sign the Guarantee, Indemnification, and Acknowledgement attached hereto as Exhibit "E" (the "**Guarantee**"). If Franchisee or any owner of Franchisee is an individual, then Franchisee agrees and acknowledges that the individual owner's spouse must sign the Guarantee.

### **13.14 Franchisee Information**

Franchisee acknowledges and agrees that the information pertaining to the shareholders, directors, and officers of Franchisee is completely and accurately set out in Exhibit "A" attached hereto. Provided that, if Franchisee has not been incorporated or organized at the time of execution of this Agreement, such information pertaining to the shareholders, directors, and officers of Franchisee shall be provided to Franchisor forthwith following determination thereof and Exhibit "A" shall be deemed to be completed based upon the information provided.

## **14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE**

### **14.01 Continuing Assistance**

Franchisor agrees to furnish to Franchisee such continuing advice and guidance as is from time to time reasonably required by Franchisee in connection with Franchisee's operation of the Franchised Business, including advice and guidance with respect to the following:

- (a) training employees of the Franchised Business;



- (b) selection and purchasing of inventory, supplies and Approved Products for the Franchised Business;
- (c) the formulation and implementation of local advertising and promotional programs for the Franchised Business; and
- (d) the establishment and maintenance of accounting, inventory control, and general operating procedures.

#### **14.02 Special Assistance**

Upon reasonable written request of Franchisee, Franchisor will use its reasonable best efforts to furnish assistance to Franchisee to aid with specific problems which are beyond the scope of Franchisor's obligations in Section 14.01 hereof. Franchisee agrees to reimburse Franchisor promptly for the actual time expended and actual expenses incurred by Franchisor in providing such assistance.

#### **14.03 Inspections**

Franchisee agrees to permit Franchisor or its authorized representatives to enter and inspect the Premises and to examine and test the Required FFE and Related Operational Assets, supplies, goods, and services for the purposes of ascertaining whether Franchisee is operating the Franchised Business in accordance with the System and the terms of this Agreement. Inspections may be conducted at any time during regular business hours of the Franchised Business and without prior notification to Franchisee. Franchisor shall notify Franchisee of any deficiencies detected during such inspections and Franchisee shall diligently and promptly correct any such deficiencies in accordance with the terms of such notification.

### **15. INSURANCE**

#### **15.01 Insurance**

- (a) Franchisee agrees to maintain in full force throughout the term of this Agreement such insurance coverage as is specified by Franchisor from time to time in the Manuals or otherwise fully protecting Franchisor, its Affiliates, and Franchisee against loss or damage occurring in conjunction with the operation of the Franchised Business, including without limitation such insurance coverage and other requirements as may be required by the insurer in connection with the provision of all Approved Services by the Franchised Business. All costs in connection with such insurance shall be borne by Franchisee and coverage shall be in such amounts as Franchisor in its absolute discretion from time to time deems appropriate or as may be required under the Lease. Franchisor shall be an additional named insured in all such policies.
- (b) Prior to the commencement of the Development of the Premises 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 required insurance coverage from time to time with limits not less than those required by Franchisor, and all such certificates shall expressly contain endorsements requiring the insurance company to give Franchisor at least thirty (30) days prior written notice in the event of material alteration to, termination, non-renewal, or cancellation of, the coverages evidenced by such certificates and notice of any claim filed under such policy within thirty (30) days after the filing of such claim.
- (c) If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of

Franchisee, and Franchisee shall pay to Franchisor, on demand, any premiums incurred by Franchisor in connection therewith. Franchisee's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing insurance 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 Section 19.02 hereof. Notwithstanding the existence of such insurance, Franchisee is and shall be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Franchised Business and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

- (d) Franchisor may, at its option and upon written notice to Franchisee, obtain all or any part of the insurance required of Franchisee pursuant to the terms hereof, in the name of and on behalf of Franchisee but for Franchisee's account, and Franchisee covenants and agrees to make timely payment to Franchisor of all premiums and other charges with respect of such insurance.

## **16. DEFAULT AND TERMINATION**

### **16.01 Default; Events of Termination**

This Agreement and the rights of Franchisee hereunder may, at the option of Franchisor, be terminated upon the occurrence of any of the following events, such termination to be effective immediately upon receipt of notice to that effect by Franchisee:

- (a) if Franchisee has made a material misrepresentation on its application;
- (b) if Franchisee fails to pay when due any amount owing to Franchisor, its Affiliates, or any supplier to the Franchised Business, whether pursuant to this Agreement or otherwise, and such default continues for a period of five (5) days;
- (c) if Franchisee fails to observe or perform any of its other obligations on its part contained in this Agreement or in any other agreement or undertaking entered into or made in favor of Franchisor or any of its Affiliates, and such default is not remedied within fifteen (15) days of receipt of notice from Franchisor;
- (d) if Franchisee fails to furnish reports, financial statements, tax returns, or any other documentation required by this Agreement at the time specified therefore and such breach is not remedied within fifteen (15) days of receipt of notice from Franchisor;
- (e) if Franchisee, for a reason other than clerical error, understates Gross Sales for any period by more than two percent (2%); or if Franchisee, by reason of clerical error, understates Gross Sales for any period by more than two percent (2%) on more than two (2) occasions in a twelve (12) month period;
- (f) if Franchisee loses the right to possession of the Premises or the Lease is terminated as a result of the default of Franchisee;
- (g) if the Principal Owner or the Designated Manager fails to satisfactorily complete the initial training program provided pursuant to Section 8.01 hereof;
- (h) if Franchisee or any of its owners purports to assign any property of the Franchised Business without fully complying with the requirements of Section 18 hereof;

- (i) if Franchisee engages in any conduct or practice which, in the reasonable opinion of Franchisor, reflects unfavorably upon or is detrimental to the Marks, to the good name, goodwill or reputation of Franchisor or to the business reputation or goodwill of its franchisees and Franchisee fails to cease such conduct or practice within five (5) days from receipt of notice thereof from Franchisor;
- (j) if Franchisee has received from Franchisor during any consecutive twelve (12) month period, three (3) or more notices relating to a default hereunder (whether such notices relate to the same or different defaults and whether or not such defaults have been remedied by Franchisee);
- (k) if Franchisee is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless a supersedeas bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;
- (l) Franchisee's or any of its owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of its owners otherwise violate any such law, ordinance, or regulation; or
- (m) if Franchisee ceases or takes any steps to cease the operation of the Franchised Business.

## **16.02 Step-In Rights**

In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligation, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee amounting to eight percent (8%) of the Gross Sales of the Franchised Business during the time period that Franchisor's representatives are operating the Franchised Business (the "**Management Fee**"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section 16.02, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any claims that may arise out of Franchisor's operation of the Franchised Business unless such claims arise from the gross negligence or willful misconduct of Franchisor.

## **17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

### **17.01 Obligations On Expiration or Termination**

Upon the expiration or termination of this Agreement for any reason all rights of Franchisee hereunder shall

be at an end and Franchisee shall:

- (a) immediately cease to use the System and the Marks, by advertising or otherwise, and shall remove the Marks from all signs, slogans, symbols, letterhead, email addresses, and all other documents or forms of whatever character in the possession of or under the control of Franchisee;
- (b) return to Franchisor all signage, advertising materials, all copies of the Manuals and any other items imprinted with any of the Marks which are in the possession of, or under the control of, Franchisee;
- (c) make such modifications at Franchisee's sole cost and expense to the interior and exterior of the Premises as Franchisor requires to de-identify the Premises from a Beauty Bar if Franchisor elects not to take an assignment of the Lease as contemplated in Section 17.03 hereof; and
- (d) execute such documents and take such action as Franchisor may deem necessary or advisable to evidence the fact that Franchisee has ceased use of the Marks and has no further interest or right thereunder.

The rights of Franchisor and the obligations of Franchisee under Sections 7, 17 and 19 of this Agreement and the obligations of Franchisee's guarantors under the Guarantee, Indemnification, and Acknowledgement attached hereto as Exhibit "E" shall survive the expiration or termination of this Agreement and all other provisions of this Agreement that expressly or by their nature are intended to survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding their expiration or termination until such obligations are satisfied in full or by their nature expire.

#### **17.02 Option to Purchase Operational Assets Utilized in Connection with Former Franchised Business**

For a period of thirty (30) days following the termination or the expiration of this Agreement, Franchisor shall have the option, exercisable by notice to Franchisee, to purchase all Required FFE and Related Operational Assets, inventory and supplies owned and used by Franchisee in connection with the operation of the Franchised Business at a price equal to the lesser of the book value and the fair market value of the property in question. Such purchase price shall not, however, contain any factor or increment for goodwill or other intangibles and Franchisor may exclude from the assets purchased hereunder any Required FFE and Related Operational Assets, inventory and supplies which, in the reasonable opinion of Franchisor, are obsolete, damaged or otherwise not in marketable or usable condition. If the parties cannot agree upon the fair market value of such assets within a period of ten (10) business days following the exercise of the option by Franchisor, an independent appraiser shall be designated by Franchisor and its determination of the fair market value shall be binding on Franchisor and Franchisee and no appeal shall lie therefrom. If Franchisor elects to exercise its option to purchase, it shall be entitled to set off against the purchase price all amounts owing by Franchisee to Franchisor or any of its Affiliates under this or any other agreement and the cost of any appraisal. If Franchisor exercises its option to purchase, the transaction of purchase and sale shall be closed on a date to be determined by Franchisor and shall be completed in accordance with all applicable bulk sales legislation. Franchisee shall deliver against payment of the purchase price a bill of sale with the usual covenants as to title, together with such other documents as may be necessary or desirable, in the reasonable opinion of Franchisor, to complete the transaction of purchase and sale.

### **17.03 Assignment of Lease (at Franchisor's Option)**

If Franchisee is the tenant under the Lease, it shall, at the option and request of Franchisor, assign to Franchisor all of Franchisee's right, title, and interest in and to the Lease. Concurrently with such assignment, Franchisee shall pay to the landlord of the Premises all amounts owing by Franchisee on account of rent and other charges payable under the Lease to the effective date of such assignment.

### **17.04 Removal of Required FFE and Related Operational Assets**

If Franchisor elects not to exercise its option to purchase pursuant to Section 17.02 hereof, Franchisee shall have fifteen (15) days within which to remove its property and assets from the Premises, failing which Franchisor may cause the same to be removed, at the sole cost and expense of Franchisee. Following such removal, Franchisor may at its option dispose of the said property and assets, in whole or in part, in such manner as it, in its absolute discretion deems appropriate. The proceeds of such disposition shall be applied first against payment of all expenses incurred by Franchisor in connection with the removal and storage of such property and assets, next in payment of any amount owing by Franchisee to Franchisor or any of its Affiliates under this or any other agreement and the balance, if any, shall be paid over to Franchisee. Any property or assets not so removed may be used by Franchisor free of charge at the Premises.

### **17.05 Right of Entry**

Forthwith upon the expiration or termination of this Agreement, Franchisor may enter upon, occupy, and use all or any part of the Premises and any Required FFE and Related Operational Assets and other property and assets located in, on or about the Premises and used in connection with the operation of the Franchised Business. Franchisor shall not be liable for any trespass or neglect in so doing or in respect of any depreciation or damages in connection with such action. All revenues, monies, profits, benefits, and advantages derived from the management and operation of the Franchised Business throughout Franchisor's period of occupation shall be for the exclusive account of Franchisor, and Franchisor shall pay and discharge all debts and liabilities incurred by it during the period of its occupation. In addition, Franchisor shall have the option, but not the obligation, to pay all amounts owing by Franchisee to any creditor of the Franchised Business and any amount so paid shall be chargeable to Franchisee and shall be paid by Franchisee to Franchisor forthwith upon demand. Franchisor shall not have any obligation to retain any employee of the Franchised Business or to honor any contractual commitments previously made by Franchisee in connection therewith and any liability with respect thereto shall be exclusively borne and paid for by Franchisee. If Franchisor elects to retain any employee, such employment shall be pursuant to a new employment agreement between Franchisor and such employee. Any claim of such employee for unpaid salary, vacation pay or other benefits arising from his employment with Franchisee shall be the exclusive responsibility of and be paid solely by Franchisee.

### **17.06 Settlement of Accounts**

Upon the earlier of sixty (60) days after the expiration or termination of this Agreement or the closing of the transaction of purchase and sale contemplated in Section 17.02 hereof, there shall be an accounting between Franchisee and Franchisor and its Affiliates with respect to any monies due by each to the other under this or any other agreement and each of the parties agrees to promptly pay to the other, by certified cheque or bank draft, whatever monies shall be found to be owing by each to the other. If this Agreement has been terminated as a result of the default of Franchisee, Franchisee shall pay to Franchisor all costs and expenses (including legal fees on an attorney and client basis) incurred by Franchisor as a result of such default and Franchisor may set off an amount equal to such costs and expenses from any amount owing by Franchisor to Franchisee pursuant to the aforesaid accounting.

### **17.07 Transfer of Listings and Accounts**

It is agreed between the parties that following termination or the expiration of this Agreement, all interest in and rights to use all telephone and facsimile numbers, all listings and email addresses and all social media accounts (collectively “**listings and accounts**”) used by Franchisee in any manner related to the operation of, or applicable to, the Franchised Business shall be transferred to or vested in Franchisor and Franchisor shall thereupon have the full and exclusive right to use such listings and accounts or to authorize the use thereof by another franchisee of Franchisor. Franchisee hereby appoints Franchisor as its attorney in fact to direct the telephone company and all listing agencies to transfer such listings and accounts to Franchisor or as it may in writing direct. Any amounts owing by Franchisee on account of such listings and accounts shall be paid forthwith by Franchisee.

### **17.08 Post-Term Non-Competition Restrictions**

For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, nor any of its owners, nor any spouse of Franchisee or any of its owners, nor any holder of a legal or beneficial interest in Franchisee, shall either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company, or other business entity:

- (a) Own an interest in, manage, operate, grant a franchise to, advise, help, make loans to, lease property to, or perform services as a director, officer, manager, employee, consultant, representative, or agent for any Competing Business that is located (i) at the Premises; (ii) within the Designated Territory; or (iii) within a ten (10) mile radius of (a) the Designated Territory or (b) any other Beauty Bar that is open, under lease or otherwise under development as of the date this Agreement expires or is terminated; or
- (b) Solicit business from customers of Franchisee’s former Franchised Business or contact any of Franchisor’s suppliers or vendors for any Competing Business do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

### **17.09 Reasonableness of Post-Term Non-Competition Restrictions**

Franchisee acknowledges that the restrictive covenants contained in Section 17.08 are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System, and the Marks, and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable, or otherwise unenforceable. Franchisor has the right, in its sole discretion, to reduce the scope of any restriction in Section 17.08 by giving Franchisee written notice and Franchisee agrees to comply with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 20.15. The parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained in this Section 17.08 shall not render any other part unenforceable.

### **17.10 Enforcement of Post-Term Non-Competition Restrictions**

It is the parties’ intent that the provisions of Section 17.08 be judicially enforced to the fullest extent permissible under applicable law. Franchisee agrees that the existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to Franchisor’s enforcement of this Section 17.08. Franchisee agrees to pay all costs and expenses (including reasonable



attorneys' fees) that Franchisor incurs in connection with the enforcement of Section 17.08. In the event of the actual or threatened breach of Section 17.08 by Franchisee or any individual subject to the restrictions contained in this Section 17.08, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Injunctive relief will be in addition to any other remedies Franchisor may have. Franchisee agrees that, in the event of the actual or threatened breach of Section 17.08, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 17.08 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 17.08 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 17.08 shall be tolled during any default under this Section.

## **18. ASSIGNMENT**

### **18.01 Assignment by Franchisor**

Franchisor may assign any or all of its rights arising from this Agreement, provided that the assignee agrees in writing to assume all obligations undertaken by Franchisor herein relating to the rights so assigned. Upon such assignment and assumption, Franchisor shall be relieved of all further liability hereunder.

### **18.02 Assignment by Franchisee**

- (a) The franchise and license granted under this Agreement are personal to Franchisee. Therefore, during the term of this Agreement, Franchisee shall not sell, assign, transfer, mortgage, charge, grant a security interest in, or otherwise encumber (collectively "**Transfer**") any of Franchisee's right and interest hereunder or in any assets of the Franchised Business, nor shall any of Franchisee's owners Transfer any of their shares or ownership interests in the capital of Franchisee nor shall Franchisee amalgamate, merge, reorganize, or engage in any similar proceeding, without in each case obtaining the prior written approval of Franchisor, which approval may not be unreasonably withheld. Any actual or purported Transfer without Franchisor's prior written approval shall be a material default of this Agreement and shall be null and void.
- (b) If Franchisee desires to effect a Transfer, Franchisee shall submit to Franchisor a copy of the offer relating to the proposed Transfer, information relating to the character and business background and experience of the proposed transferee and such other information as Franchisor may require together with the sum of Two Thousand Dollars (\$2,000), which amount is non-refundable and will be used by Franchisor to evaluate the offer and the proposed transferee. If the Transfer is completed, these funds will be applied against payment of the transfer fee described in subparagraph (c)(ix) below. Franchisee agrees that Franchisor shall not be under any obligation whatsoever to consider any proposed Transfer by Franchisee if (i) Franchisee is in default of any of the provisions of this Agreement or any other agreement with Franchisor or any Affiliate, or (ii) the offer relating to the proposed Transfer contains any conditions preventing the offer from becoming a binding agreement, other than for the conditions that the approval of Franchisor and the approval of the landlord of the Premises (if required) to the Transfer must be obtained.
- (c) Any proposed Transfer shall be effected only if all conditions imposed by Franchisor are complied with. In exercising its discretion to grant or withhold approval, Franchisor will consider, among other things, the qualifications, apparent ability and credit standing of the



proposed transferee. In addition, Franchisor shall be entitled to require as conditions precedent to the granting of its approval that:

- (i) there shall be no existing default in the performance or observance of any of Franchisee's obligations under this Agreement or any other agreement between Franchisee and Franchisor or its Affiliates or with any supplier of the Franchised Business;
- (ii) Franchisee shall have settled all outstanding accounts with Franchisor, its Affiliates, and all trade creditors of the Franchised Business;
- (iii) Franchisee and each of its owners and guarantors shall have delivered to Franchisor a complete release of their claims against Franchisor, its Affiliates and their respective shareholders, directors, and officers, in form prescribed by Franchisor;
- (iv) the proposed transferee and its shareholders shall have agreed to complete forthwith following completion of the Transfer, all such maintenance, refurbishing, renovating and remodelling of the Premises and the Required FFE and Related Operational Assets as Franchisor reasonably requires to meet the System standards then in effect;
- (v) the purchase price payable by the proposed transferee shall not be commercially unreasonable and the proposed transferee shall have adequate financial resources to complete the Transfer and to thereafter operate the Franchised Business;
- (vi) at Franchisor's option, the proposed transferee and its shareholders or partners must enter into (a) a written assignment, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement, or (b) Franchisor's then-current form of franchise agreement and all other agreements then being required by Franchisor in the grant of franchises (which may contain terms that are materially different than the terms of this Agreement and/or Exhibits hereto);
- (vii) if required by Franchisor, the proposed transferee shall have paid to Franchisor Franchisor's then-current cost of providing training and shall have satisfactorily completed Franchisor's training program then in effect for all new franchisees;
- (viii) unless otherwise agreed to in writing by Franchisor, any transfer of assets of the Franchised Business shall be effected in compliance with the requirements of all applicable bulk sales legislation; and
- (ix) Franchisee shall have paid to Franchisor a transfer fee in an amount equal to seventy-five percent (75%) of the then-current initial franchise fee charged generally by Franchisor for new franchisees, as well as any broker fees incurred in connection with the contemplated transaction.

### **18.03 Death/Disability**

- (a) In the event of the death or permanent disability of an owner of Franchisee (the "**Disabled Party**"), except the last owner to die or become permanently disabled, the Disabled Party or his/her estate shall, within one hundred and twenty (120) days of the occurrence of such death

or permanent disability, sell to the surviving owners all of the Disabled Party's ownership interests in Franchisee, for such price and upon such other terms and conditions as may be agreed upon by parties. In the event of the death or permanent disability of the last of Franchisee's owners to die or become so disabled, or where there is only one owner, then upon his/her death or permanent disability, Franchisee shall, within one hundred and twenty (120) days of the occurrence of such death or disability, assign all of its right, title and interest in and to this Agreement, the Lease and the property and assets used in connection with the operation of the Franchised Business to another person acceptable to Franchisor. Such transfer shall be effected in compliance with the terms and conditions of Section 18.02 hereof.

- (b) If the disposition of the Franchised Business as aforesaid to a person acceptable to Franchisor has not taken place within one hundred and twenty (120) days as required by this Section 18.03, Franchisor shall thereafter have the continuing option, exercisable upon ten (10) days' notice to Franchisee of terminating this Agreement and the franchise herein granted. If Franchisor so elects, the provisions of Section 17 shall thereupon become applicable.
- (c) For the purposes of this Section 18.03, a person shall be deemed to be permanently disabled if their normal participation in the Franchised Business is for any reason curtailed by reason of mental or physical disability for a cumulative period of ninety (90) days in any twelve (12) month period during the term of this Agreement.

#### **18.04 Right of First Refusal of Franchisor**

If Franchisee or Franchisee's owners propose to sell the Franchised Business (or its assets) or, if Franchisee is a business entity, any controlling ownership interest in the entity, and Franchisee or Franchisee's owners obtain and desire to accept a bona fide, executed written offer to purchase this interest, Franchisee or Franchisee's owners are obligated to deliver a copy of the bona fide offer to Franchisor and shall make an identical offer to Franchisor. Franchisor will, for a period of sixty (60) days from the date of delivery of such offer to Franchisor, have the right, exercisable by written notice to Franchisee or Franchisee's owners, to purchase the Franchised Business (or its assets) or such controlling ownership interest for the price and on the terms and conditions contained in the offer. Franchisor may substitute equivalent cash for any form of payment proposed in such offer or designate a substitute purchaser for the Franchised Business (or the assets) or the ownership interest being offered, provided that Franchisor will assume responsibility for the performance of any other purchaser Franchisor may designate. If the offer is to purchase from one or more shareholders, partners or members aggregate ownership interests constituting fifty percent (50%) or more, but less than one hundred percent (100%) of the outstanding ownership interests of Franchisee, Franchisor shall also have the right, during such sixty (60) day period upon written notice to the other owners, to purchase the remaining ownership interests at a per share or per unit or interest price equivalent to the price being offered under the bona fide offer. If Franchisor does not exercise this right of first refusal, the offer may be accepted by Franchisee or Franchisee's owners, subject to Franchisor's prior written approval of the transferee as provided in this Agreement. If the sale pursuant to the offer is not consummated within ninety (90) days, Franchisor will again have the right of first refusal to purchase the Franchised Business as described above.

#### **18.05 No Security Interest**

Neither this Agreement nor any of the rights conferred on Franchisee hereunder nor any interest in Franchisee shall be retained by Franchisee or any of its owners as security for the payment or performance of any obligations that may arise by reason of any Transfer.

## **19. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION**

### **19.01 Independent Contractor**

This Agreement does not create a fiduciary relationship between Franchisee and Franchisor for any purpose. Franchisee is an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. Franchisee agrees that it has no authority to bind or to attempt to bind Franchisor in any manner or form whatsoever or to assume or to incur any obligation or responsibility, express or implied, for or on behalf of or in the name of Franchisor. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement with Franchisor, including but not limited to, exhibiting a notice of that fact in a conspicuous place at the Premises and elsewhere, as specified by Franchisor, the content of which Franchisor reserves the right to specify or approve. Franchisee shall use its own name in obtaining or executing contracts or making purchases so that the transactions shall clearly indicate that Franchisee is acting on its own behalf and not on behalf of Franchisor. Notwithstanding any other provision of this Agreement, Franchisee acknowledges and agrees that Franchisee has the sole authority, and that it is Franchisee's sole obligation under this Agreement, to make all personnel and employment decisions for the Franchised Business, including, without limitation, decisions related to hiring, training, firing, discharging and disciplining employees, and to supervising Franchisee's employees, setting their wages, hours of employment, record-keeping, and any benefits, and that Franchisor shall have no direct or indirect authority or control over any employment-related matters for Franchisee's employees.

### **19.02 Indemnity**

Franchisee and Guarantors jointly and severally agree, during and after the term of this Agreement, to hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor, and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors, and assigns (collectively "**Indemnitees**") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation, or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors, or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts; or (f) infringement, violation, or alleged infringement or violation of any Mark, patent or copyright or any misuse of the trade secrets or other confidential information. Notwithstanding the foregoing, Franchisee's indemnification obligations shall not extend to liabilities caused by Franchisor's acts or omissions amounting to gross negligence or willful misconduct. The obligations of this Section 19.02 shall expressly survive the expiration, termination, or transfer of this Agreement.

### **19.03 Taxes**

Franchisor shall have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon Franchisee or the Franchised Business, due to the business conducted by Franchisee (except for our income taxes). Franchisee is responsible for paying these taxes and must reimburse Franchisor for any taxes that Franchisor must pay to any state taxing authority on account of either Franchisee's operation or payments that Franchisee make to Franchisor.

## **20. GENERAL CONTRACT PROVISIONS**

### **20.04 Table of Contents and Headings; Recitals**

The table of contents preceding this Agreement, the division of this Agreement, into sections, and the insertion of sections and headings are for the convenience of reference only and shall not affect the interpretation or construction of this Agreement. The recitals and provisions set forth in the recitals portion of this Agreement, including all definitions and representations set forth therein, are hereby incorporated by reference as if fully set forth herein.

### **20.05 Construction**

In this Agreement the use of the singular number includes the plural and vice versa, the use of any gender includes all genders, and the word “person” includes an individual, a trust, a partnership, a body corporate or politic, a government entity and any agency thereof, an association, and any other incorporated or unincorporated organization or entity. The words “include,” “including,” and words of similar import, whenever used in this Agreement, mean “including, by way of example, but without limitation,” and the terms following such words shall not be interpreted as representing an exclusive or exhaustive list of the appropriate subject matter. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

### **20.06 Severability of Clauses**

If any covenant or other provision of this Agreement is invalid, illegal, or incapable of being enforced by reason of any rule of law or public policy, all other conditions and provisions of this Agreement shall, nevertheless, remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

### **20.07 Agreement Binding Successors and Assigns**

Subject to the restrictions on assignment herein contained, this Agreement shall inure to the benefit of and be binding upon Franchisor and Franchisee and their respective heirs, executors, administrators, successors and permitted assigns.

### **20.08 Joint and Several**

If Franchisee is comprised of two (2) or more persons, the covenants on the part of Franchisee herein made shall be deemed to be the joint and several covenants of such persons.

### **20.09 Force Majeure**

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by any causes beyond its control, including without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lockouts, embargoes, insurrections, pandemics and epidemics, acts of God or inability to obtain supplies. The inability of a party to obtain funds shall be deemed to be a matter within the control of a party. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable effort to correct the reason for the delay and gives the other party prompt notice of such delay.

### **20.10 Timing**

**Time is of the essence.** Except as set forth in Section 20.08, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

#### **20.11 Notice**

All notices or other communications required by this Agreement or permitted to be given by one to the other shall be given in writing by personal delivery, electronic mail with delivery receipt, or reputable overnight delivery service, addressed to the other party at the address identified on the first paragraph of this Agreement or at such other address as may be given by one of them to the other in writing from time to time. Any notices provided by personal delivery shall be effective upon receipt. Any notices by overnight delivery service or by electronic mail shall be deemed given on the next business day after transmittal.

#### **20.12 Waiver of Obligations**

Franchisor may by written instrument unilaterally waive any obligation of, or restriction upon, Franchisee under this Agreement. No acceptance by Franchisor of any payment from Franchisee and no failure, refusal or neglect of Franchisor to exercise any right under this Agreement or to insist upon full compliance by Franchisee with its obligations hereunder shall constitute a waiver of any provision of this Agreement.

#### **20.13 Rights Cumulative**

The rights of Franchisor under this Agreement are cumulative and the exercise or enforcement by Franchisor of any right or remedy hereunder shall not preclude the exercise or enforcement by Franchisor of any other right or remedy hereunder or to which Franchisor may otherwise be entitled by law.

#### **20.14 No Liability**

Franchisor and its Affiliates and their respective officers, directors, employees and agents shall not be responsible or otherwise liable for any injury, loss, or damage resulting from, occasioned to or suffered by any person or to any property because of any goods or services sold or otherwise provided by them to Franchisee.

#### **20.15 Entire Agreement**

This Agreement constitutes the entire Agreement between the parties with respect to the matters herein and supersedes all previous agreements and understandings between the parties in any way relating to the subject matter hereof. It is expressly understood and agreed that Franchisor has made no representations, inducements, warranties, or promises, whether direct, indirect or collateral, expressed or implied, oral or otherwise, concerning this Agreement, the matters herein, the Franchised Business or concerning any other matters which are not embodied herein. Except for those 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 and executed by Franchisee and Franchisor's authorized officers or agents in writing. Nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the latest franchise disclosure document that Franchisor furnished to Franchisee.

#### **20.16 Survival**

The rights of Franchisor and the obligations of Franchisee and its owners and guarantors under Sections 7, 17 and 19 of this Agreement and the Guarantee, Indemnification, and Acknowledgement attached hereto shall survive the expiration or termination of this Agreement. In addition, all other provisions of this

Agreement that expressly or by their nature are intended to survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding their expiration or termination until such obligations are satisfied in full or by their nature expire.

### **20.17 Counterparts and Transmission**

This Agreement may be executed in one or more counterparts, each of which will be deemed an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The parties hereto agree that this Agreement may be transmitted by electronic transmission (including PDF and electronic signature services such as DocuSign) and shall be treated as binding as if originals.

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

### **21.01 Choice of Law**

This Agreement shall be interpreted and construed exclusively under the laws of the state of Delaware. In the event of any conflict of law, the laws of Delaware shall prevail, without regard to the application of Delaware conflict-of-law rules. If, however, any provision of this Agreement would not be enforceable under the laws of Delaware and if Franchisee is located outside of Delaware and such provision would be enforceable under the laws of the state in which Franchisee is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section is intended, or shall be deemed, to make any Delaware law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

### **21.02 Internal Dispute Resolution**

Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Section 20.11 of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

### **21.03 Injunctive Relief**

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



#### **21.04 Venue**

The parties agree that, to the extent any disputes cannot be resolved directly between them, Franchisee shall file any suit against Franchisor only in a federal or state court having jurisdiction in Dover, Delaware, which is the state in which franchisor was organized. Franchisor may file suit in a federal or state court having jurisdiction in Dover, Delaware or in the jurisdiction where Franchisee resides or does business or where the Franchised Business is or was located or where the claim arose. Franchisee consents to the personal jurisdiction of those courts over Franchisee and to venue in those courts.

#### **21.05 Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee 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 in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

#### **21.06 Limitations of Claims**

Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisor and Franchisee, or Franchisee's operation of the Franchised Business, brought by one party against the other party and/or such party's affiliates, owners, employees, or agents, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

#### **21.07 Limitation of Damages**

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 21.08 below. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Initial Franchise Fee and Royalty Fees.

#### **21.08 Cost of Enforcement or Defense**

Franchisee shall pay to Franchisor all damages, costs, and expenses, including all court costs, and reasonable attorneys' fees, and all other expenses Franchisor incurred in enforcing any obligation or in defending against any claim, demand, action, or proceeding related to this Agreement, including but not limited to the obtaining of injunctive relief.

#### **21.09 Waiver of Jury Trial and Class Action Suits**

**FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS AND TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.**



## **22. COMPLIANCE WITH ANTI-TERRORISM LAWS**

Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply, with Anti-Terrorism Laws (as defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. “**Anti-Terrorism Laws**” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee’s or its owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 16.01(l) above.

## **23. ACKNOWLEDGEMENTS AND WARRANTY**

### **23.01 Independent Investigation**

Franchisee acknowledges that, prior to executing this Agreement, Franchisee and its owners conducted an independent investigation of the business franchised hereunder. Franchisee further acknowledges that the business venture contemplated by this Agreement involves business risks and that its success will be dependent a material extent upon Franchisee’s and its owners’ personal commitment, capability and direct involvement in the day-to-day management of the business. Franchisor expressly disclaims the making of, and Franchisee and each Guarantor acknowledges that he has not received, any representation, warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

### **23.02 Independent Advice**

Franchisee acknowledges that it has received, has had an ample time to read and has read this Agreement and Franchisor’s Disclosure Document and fully understand all of their respective provisions. Franchisee further acknowledges that it has had an adequate opportunity to be advised by advisors of its own choosing regarding all pertinent aspects of the business venture contemplated by this Agreement and the franchise relationship created hereby.

### **23.03 Best Interests of System**

Whenever Franchisor exercises a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly provided in this Agreement, Franchisor can make its decision or exercise its discretion on the basis of its judgment of what is in its best interests. “Best interests” includes what Franchisor believes to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (a) there may have been other alternative decisions or actions that could have been taken; (b) its decision or the action taken promotes its own financial interest; or (c) its decision or the action may apply differently to different franchisees and/or to any Beauty Bar that Franchisor or its Affiliates operate. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

[Signatures follow on next page.]

**IN WITNESS WHEREOF** the parties hereto have caused this Agreement to be duly executed as of the Effective Date noted below.

**FRANCHISOR:**

**FRANCHISEE:**

**THE TEN SPOT LTD.**

**[Insert Entity Name]**

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

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

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

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

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

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

**Effective Date:** \_\_\_\_\_

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

**EXHIBIT "A"**

**FRANCHISEE INFORMATION**

- 1. **Premises:** \_\_\_\_\_
- 2. **Site Selection Area:** \_\_\_\_\_  
\_\_\_\_\_
- 3. **Designated Territory:** \_\_\_\_\_  
\_\_\_\_\_

3. **Owners.** The following is a complete list of all of the shareholders, partners, or members of Franchisee and the percentage interest of each individual:

Name	Interest (% or Number of Shares)

4. **Officers and Directors of Franchisee.** The following is a complete list of all of the directors and officers of Franchisee and the positions they hold:

Name	Director (Y/N)	Position Held

- 5. **Franchisee's Principal Owner shall be:** \_\_\_\_\_
- 6. **Franchisee's Notice Address:** \_\_\_\_\_

**FRANCHISOR:**

**THE TEN SPOT LTD.**

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

**FRANCHISEE:**

**[Insert Entity Name]**

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

## EXHIBIT "B"

### LEASE ADDENDUM TERMS

- (a) Notwithstanding anything to the contrary contained in this Lease, it is agreed that if the franchise agreement ("**Franchise Agreement**") dated the \_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ among the Tenant and The Ten Spot, Ltd. (the "**Franchisor**") expires or is terminated for any reason whatsoever, the Tenant's rights hereunder shall, at the option of Franchisor, be transferred and assigned to Franchisor or to its affiliate. This option may be exercised by Franchisor giving the Landlord notice in writing within thirty (30) days following the expiration or termination of the Franchise Agreement, such notice to specify, inter alia, the date of such expiration or termination. The Tenant acknowledges and agrees that the Landlord may rely upon such notice and shall not be required to enquire into the due execution thereof or the accuracy of the statements set forth therein. It is further agreed that such notice shall, without further act or formality, operate as an effective assignment of the Tenant's rights hereunder to Franchisor or to its affiliate and the assumption by such party of the covenants herein required to be observed or performed by the Tenant. Franchisor, or its affiliate, shall thereafter have the right to assign or sublet the Premises to such person as it may designate without necessity of obtaining any consent thereto, provided that such person is a *bona fide* franchisee of Franchisor.
- (b) The Tenant agrees that the Landlord may upon the written request of Franchisor disclose to Franchisor all reports, information or other data in the Landlord's possession in respect of sales made in, upon or from the Premises.
- (c) The Landlord shall give written notice to Franchisor (concurrently with the giving of such notice to the Tenant) of any default by the Tenant under this Lease, and Franchisor shall have, after the expiration of the period during which the Tenant may cure such default, an additional fifteen (15) days to cure, at its sole option, any such default. If the Tenant fails to cure any such default which will entitle the Landlord to terminate the Lease, the Landlord shall give notice thereof to Franchisor and Franchisor shall have the option of assuming the Tenant's rights under the Lease, as contemplated in Paragraph (a) above *mutatis mutandis*.
- (d) The Landlord acknowledges that the Franchise Agreement contains a right on the part of Franchisor, in the event of the expiration or termination of the said Franchise Agreement for any reason whatsoever, to enter the Premises hereby demised and to operate the business for the account of Franchisor. The Landlord further acknowledges that such entry by Franchisor shall not constitute an assignment of this Lease nor a subletting of the Premises.
- (e) The Tenant and the Landlord agree that the premises hereby demised shall be used only for the operation of a business under the name and style "THE TEN SPOT."
- (f) The Landlord and the Tenant agree that Franchisor shall have the right from time to time to enter the Premises to make any modifications necessary to cause the Premises to conform with the standards and specifications of Franchisor's franchise system.
- (g) The Landlord and the Tenant agree that the Tenant may not sublease the Premises or assign its interest under this Lease without the prior written approval of Franchisor.
- (h) The Landlord acknowledges that Franchisor is executing this Lease solely for the purpose of acknowledging the provisions contained in the foregoing clauses and agrees that such execution by Franchisor shall in no way be construed so as to obligate Franchisor for the performance of any of the terms, conditions, obligations and covenants contained herein.

**EXHIBIT "C"**

**EFT AUTHORIZATION FORM**

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

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

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

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

**AGREED:**

**FRANCHISEE:**

**[INSERT FRANCHISEE NAME]**

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

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

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

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

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

**EXHIBIT “D”**

**NONDISCLOSURE AND NON-COMPETITION FORM**

*Directions: Each Franchisee owner (and members of their immediate families or households), officer, director, executive, manager, member of the professional staff, and all employees and independent contractors who have access to Franchisor’s trade secrets and/or confidential information, shall complete and sign one copy of this Nondisclosure and Non-Competition Agreement and Franchisee shall return it to Franchisor.*

Print your name		
Your address (street, town, state, ZIP)	Street	
	Town	
	State	ZIP
Your phone number (with area code)	(            )	
Name of Franchisee		
City and state in which the Beauty Bar is located	City	State
Identify the position you hold or will hold with Franchisee		

In consideration of your position with the above franchisee (the “**Franchisee**”), you, the undersigned, hereby acknowledge and agree that:

1.     **Nondisclosure Agreement.** Your Franchisee operates a franchised Beauty Bar (the “**Franchised Business**”) under a franchise agreement with The Ten Spot Ltd. (the “**Franchisor**”). During the term of your relationship with Franchisee and for all time thereafter, you agree not to communicate, divulge, or use for the benefit of any person or entity (such as a partnership, association, limited liability company, corporation, or other entity) any confidential information, knowledge, or know-how concerning the training you receive and the methods of operation of the Franchised Business that may be communicated to you by virtue of your affiliation with Franchisee. Any and all information, knowledge, know-how, techniques, and other data that Franchisor designates as confidential shall be deemed confidential for purposes of this Nondisclosure and Non-Competition Agreement (the “**Agreement**”).

2.     **Non-Competition Agreement.** You agree you will receive certain valuable information about Franchisor’s system of operation (the “**System**”), and that this information would not have been given to you without your execution of this Agreement. You covenant that while you are affiliated with Franchisee and for a continuous uninterrupted period of two (2) years beginning when your affiliation with Franchisee ends, you shall not in any way (directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity): (a) divert or attempt to divert any present or prospective business or customer of any Beauty Bars to any competitor, by direct or indirect inducement or otherwise; or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor’s



marks or its System; or (b) own an interest in, manage, operate, grant a franchise to, advise, help, make loans to, lease property to, or perform services as a director, officer, manager, employee, consultant, representative, or agent for a “**Competing Business**”, which is: (i) any business that includes among its services manicures, pedicures, body waxing, facials, hair removal services and/or other related spa or grooming services (other than a Beauty Bar operated under a franchise agreement with Franchisor); or (ii) any business granting franchises or licenses to others to operate the type of business specified in subsection (i) above. At the end of your affiliation with Franchisee, the restrictions in this Paragraph 2 apply only to a Competing Business located within ten (10) miles of the Franchised Business or any other Beauty Bar. Franchisor has the right, but not the obligation, at any time, to reduce the scope of any covenant in this Paragraph 2 or any portion of any covenant in this Paragraph 2, without your consent, effective immediately upon receipt by you of written notice; and you shall comply immediately with any covenant as so modified, which shall be fully enforceable without regard to any other provision of Paragraph 2.

3. **Third-party beneficiary.** Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely or jointly with your Franchisee at Franchisor’s sole discretion. Any violation of this Agreement will cause Franchisor and Franchisee irreparable harm, and, therefore, Franchisor or Franchisee, or both, may apply for the issuance of an injunction preventing you from violating this Agreement in addition to any other remedies it or they may have hereunder, at law or in equity.

I have read and understand this Nondisclosure and Non-Competition Agreement. I agree to be bound by this Nondisclosure and Non-Competition Agreement. I have a copy of this Nondisclosure and Non-Competition Agreement.

This Agreement shall be construed under the laws of the state in which the Beauty Bar is located. Except as provided in Paragraph 2 above, the only way this Agreement can be changed is in a writing signed by Franchisor, Franchisee, and you.

**ACKNOWLEDGED BY YOU:**

By: \_\_\_\_\_ [Form Document Do Not Sign]

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

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

**FRANCHISEE**

[INSERT FRANCHISEE NAME]

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

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

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

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

## EXHIBIT "E"

### GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGEMENT

As an inducement to The Ten Spot Ltd. (the "Franchisor") to execute the Franchise Agreement between Franchisor and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_, 20\_\_ (the "Agreement"), the undersigned (the "Guarantors") jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the Guarantors will immediately make each payment to Franchisor required of Franchisee under the Agreement. The Guarantors hereby waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of the Guarantors under this Guarantee, Franchisor may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement.

The Guarantors hereby agree to defend, indemnify, and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The Guarantors hereby acknowledge and agree to be individually bound by all of the confidentiality provisions and non-competition covenants contained in the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement or upon the transfer or assignment of the Agreement by Franchisee, except that all obligations and liabilities of the Guarantors which arose from events which occurred on or before the effective date of such termination, expiration, transfer, or assignment of the Agreement shall remain in full force and effect until satisfied or discharged by the Guarantors, and all covenants which by their terms continue in force after the termination, expiration, transfer, or assignment of the Agreement shall remain in force according to their terms. This Guarantee shall not terminate upon the transfer or assignment of the Agreement or this Guarantee by Franchisor. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

This Guarantee shall be interpreted and construed under the laws of the state of Delaware. In the event of any conflict of law, the laws of Delaware shall prevail, without regard to, and without giving effect to, the application of the state of Delaware conflict of law rules.

The Guarantors agree that the dispute resolution, venue, attorneys' fees and other enforcement-related provisions in Section 21 and otherwise set forth in the Agreement are hereby incorporated into this Guarantee by reference, and references to Franchisee and the Franchise Agreement therein shall be deemed to apply to the Guarantors and this Guarantee, respectively, herein.

All notices or other communications required by this Guarantee or permitted to be given by one to the other shall be given in writing by personal delivery, electronic mail with delivery receipt, or reputable overnight delivery service, addressed to the other party at the address identified below or at such other address as may be given by one of them to the other in writing from time to time. Any notices provided by personal delivery shall be effective upon receipt. Any notices by overnight delivery service or by electronic mail shall be deemed given on the next business day after transmittal.

- (a) to Franchisor at: 10-163 Sterling Road, Toronto, Ontario, Canada M6R 2B2
- (b) to the Guarantors at their home addresses listed below each of their signatures to this Guarantee

**IN WITNESS WHEREOF**, each of the Guarantors have signed this Guarantee as of the date of the Agreement.

**GUARANTORS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**EXHIBIT C TO  
FRANCHISE DISCLOSURE DOCUMENT**

**DEVELOPMENT AGREEMENT**

# THE TEN SPOT<sup>®</sup>

## DEVELOPMENT AGREEMENT

BETWEEN:

THE TEN SPOT LTD.

- and -

[DEVELOPER]

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EXHIBIT A - Development Information



## THE TEN SPOT DEVELOPMENT AGREEMENT

**THIS DEVELOPMENT AGREEMENT** (this “**Agreement**”) between The Ten Spot Ltd., a Delaware corporation, with its principal place of business at 10-163 Sterling Road, Toronto, Ontario M6R 2B2 (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (“**Developer**”) is made effective as of date of Franchisor’s signature on the signature page of this Agreement (the “**Effective Date**”).

### RECITALS

A. Franchisor and its affiliates, as a result of the expenditure of time, skill, effort, and money, have developed, own or otherwise have the right to utilize, a proprietary system of business operations (the “**System**”) related to the establishment, development, opening, and operation of a beauty bar and grooming boutique (each, a “**Beauty Bar**”) specializing in manicures, pedicures, facials, body waxing and other grooming services Franchisor authorizes (collectively, the “**Approved Services**”), and certain designated beauty and/or other grooming-related products that Franchisor designates or otherwise approves for retail sale from that Beauty Bar (collectively, the “**Approved Products**”).

B. The System is comprised of various proprietary and, in some cases, distinguishing elements, including, without limitation: proprietary methodology and procedures for the establishment and operating procedures of a typical Beauty Bar; instructions and standards regarding the methodology used in providing certain of the Approved Services, as well as offering and selling certain Approved Products; existing relationships with suppliers of certain of the Approved Products, as well as various items and services to be purchased and/or utilized in connection with the establishment and/or ongoing operation of a Beauty Bar; site selection guidelines and criteria, as applicable, for the Beauty Bar; standards and specifications for the design, layout and construction of the interior and exterior of a typical Beauty Bar; standards and specifications associated with trade dress and décor of a typical Beauty Bar; standards and specifications for the furniture, fixtures and/or equipment located within the Beauty Bar; established relationships with approved or designated suppliers for certain inventory and other supplies and operating equipment necessary to provide the Approved Services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Beauty Bar. Franchisor may change, improve, further develop, or otherwise modify the System from time to time, as Franchisor deems appropriate in its discretion.

C. The System and Beauty Bars are identified by the mark THE TEN SPOT, as well as certain other trade names, trademarks, service marks, logos, trade dress and other indicia of source that Franchisor designates for use in connection with each Beauty Bar (collectively, the “**Marks**”), all of which Franchisor may modify, update, supplement or substitute in the future as Franchisor deems appropriate. Franchisor has established substantial goodwill and business value in its Marks, expertise and System, and such goodwill inures solely to the benefit of Franchisor and its affiliates.

D. Franchisor grants qualified third parties the right to develop multiple Beauty Bars within a defined geographical area (the “**Development Area**”) in accordance with a development schedule that must be strictly adhered to, with each Beauty Bar within the Development Area being opened and operating utilizing the Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor’s then-current franchise agreement (each, a “**Franchise Agreement**”).

E. Developer recognizes the benefits from receiving the right to operate a Beauty Bar and desires to: (i) become a multi-unit Beauty Bar operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate multiple Beauty Bars within the Development Area as set forth in this Agreement, and Franchisor has approved such application in reliance on Developer's representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications, are essential to the operation of all Beauty Bars and the System as a whole.

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

## **1. DEVELOPMENT AREA**

**1.01 Development Area.** Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish a specified number of franchised Beauty Bars (the "**Franchised Businesses**") as indicated in Exhibit "A" and within the Development Area defined in Exhibit "A" to this Agreement, provided Developer opens and commences operations of such Beauty Bars in strict accordance with the mandatory development schedule also set forth in Exhibit "A" (the "**Development Schedule**") and otherwise subject to the terms and conditions set forth in this Agreement. During the term of this Agreement and except as provided herein, Franchisor will not open or operate, or license any third party the right to open or operate, any Beauty Bars within the Development Area. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Marks or System.

**1.02 Reserved Rights.** Notwithstanding anything contained in Section 1.01 or otherwise in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (a) establish and operate, and license any third party the right to establish and operate, Beauty Bars using the Marks and System at any location outside of the Development Area; (b) market, offer and sell products and services that are similar to the products and services offered by Beauty Bars under a different trademark or trademarks at any location, within or outside the Development Area; (c) use the Marks and System, and other such marks Franchisor may designate, to distribute the Approved Services and/or Approved Products, or similar products and services to those offered at Beauty Bars, in any alternative channel of distribution, within or outside the Development Area (including through the Internet, traditional retail outlets, mail order, catalog sales, toll-free numbers, wholesale stores, etc.); (d) acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), within or outside the Development Area; (e) establish and operate, and license any other party the right to establish and operate, businesses using the Marks and System in the Development Area: (i) that provide mobile services and do not operate from a fixed location; or (ii) that are located in "Non-Traditional Sites" including, but not limited to, amusement parks, military bases, college campuses, hospitals, airports, train and other transportation centers, sports arenas and stadia and any other kind of captive venue, travel plazas, toll roads, both within or outside the Development Area; and (f) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in this Agreement.

## **2. DEVELOPMENT FEE; BRAND TRAINING**

**2.01 Development Fee.** Developer shall pay Franchisor a Development Fee in the attached Exhibit "A" (the "**Development Fee**") for the right to develop the foregoing Franchised Businesses within the Development Area under this Agreement, which is: (a) deemed fully earned upon payment and is not refundable under any circumstances; and (b) payable in full immediately upon execution of this Agreement.

**2.02 Brand Training.** Before Developer or its affiliates open their fourth Franchised Business, Developer must designate a “Brand Trainer” approved by Franchisor who will be the person responsible for training the Designated Managers and lead estheticians of Developer’s Franchised Businesses. Each Brand Trainer hired by Developer must complete Franchisor’s Brand Trainer training program and Developer must pay Franchisor its then-current Brand Trainer Training Fee. Brand Trainers must be recertified annually and Developer must pay Franchisor’s then-current recertification fees.

### **3. INITIAL FRANCHISE AGREEMENT**

Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor’s current form of Franchise Agreement (the “**Initial Franchise Agreement**”) for the first Franchised Business that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer’s principals/owners must each execute the form of Guarantee, Indemnification and Acknowledgement attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

### **4. ADDITIONAL FRANCHISE AGREEMENTS**

Developer agrees and acknowledges that it must: (a) enter into Franchisor’s then-current form of Franchise Agreement for each additional Franchised Business that Developer is required to open under this Agreement; and (b) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed upon Development Schedule.

### **5. DEVELOPMENT OBLIGATIONS**

Developer must ensure that, at a minimum, Developer: (a) opens and commences operations of the required number of new Franchised Businesses during each development period set forth in the Development Schedule (each, a “**Development Period**”); and (b) has the minimum cumulative number of Franchised Businesses open and operating at the expiration of each Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer’s failure to comply with the Development Schedule is grounds for immediate termination of this Agreement (and any future development rights granted hereunder).

### **6. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION**

**6.01 Confidentiality.** Developer acknowledges that Franchisor shall disclose trade secrets and other confidential information to Developer as a result of guidance furnished to Developer during the term of this Agreement. Developer shall not acquire any interest in the trade secrets or other confidential information, other than the right to use it in the development and operation of the Franchised Businesses and in performing its duties during the term of this Agreement. Developer acknowledges that the use or duplication of the trade secrets or other confidential information in any other business venture would constitute an unfair method of competition. Developer acknowledges that the trade secrets and other confidential information are proprietary and are disclosed to Developer solely on the condition that Developer and all holders of a legal or beneficial interest in Developer (and any member of their immediate families or households), and all officers, directors, executives, managers, and members of the professional staff of Developer, and all employees and independent contractors of Developer who have access to trade secrets or other confidential information: (a) shall not use the trade secrets or other confidential information in any other business or capacity; (b) shall maintain the absolute confidentiality of the trade secrets and other confidential information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the trade secrets or other confidential information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the trade secrets and other confidential

information. Developer shall enforce this Section 6.01 as to its employees, independent contractors, agents, and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of trade secrets or other confidential information by any of them.

**6.02 Additional Developments.** All ideas, concepts, techniques, or materials concerning the System or developed, in whole or in part, using trade secrets or other confidential information, whether or not protectable intellectual property and whether created by or for Developer or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Developer or its owners or employees therefore, and Developer hereby agrees to assign to Franchisor all right, title, and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Developer shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Developer concepts and developments of other Developers that are made part of the System. As Franchisor may reasonably request, Developer shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Developer or not.

**6.03 Non-Competition During the Term of this Agreement.** Developer will at all times faithfully, honestly, and diligently perform its obligations hereunder and will continuously exert its best efforts to promote and enhance the Franchised Businesses. In addition, Developer acknowledges that Franchisor would be unable to protect the trade secrets and other confidential information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Beauty Bar franchisees if owners of Beauty Bars were permitted to hold an interest in or perform services for any Competing Business (as defined below). Therefore, during the term of this Agreement, neither Developer, nor any of its owners, nor any spouse of Developer or any of its owners, nor any holder of a legal or beneficial interest in Developer, shall either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company, or other business entity:

- (a) Divert or attempt to divert any business or customer of the Franchised Businesses or any other Beauty Bar to any Competing Business, by direct or indirect inducement or otherwise;
- (b) Own an interest in, manage, operate, grant a franchise to, advise, help, make loans to, lease property to, or perform services as a director, officer, manager, employee, consultant, representative, or agent for any Competing Business which is located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks, or operates or licenses others to operate a business under the Marks or similar marks; or
- (c) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.
- (d) A “**Competing Business**” means: (i) any business that includes among its services manicures, pedicures, body waxing, facials, hair removal services and/or other related spa or grooming services (other than a Beauty Bar operated under a franchise agreement with Franchisor); or (ii) any business granting franchises or licenses to others to operate the type of business specified in subsection (i) above.

**6.04 Post-Term Non-Competition Restrictions.** For a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause, neither Developer, nor any of its owners, nor any spouse of Developer or any of its owners, nor any holder of a legal or beneficial interest in Developer, shall either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company, or other business entity:

(a) Own an interest in, manage, operate, grant a franchise to, advise, help, make loans to, lease property to, or perform services as a director, officer, manager, employee, consultant, representative, or agent for any Competing Business that is located (i) within the Development Area; or (ii) within a ten (10) mile radius of (a) the Development Area or (b) any Beauty Bar that is open, under lease or otherwise under development as of the date this Agreement expires or is terminated; or

(b) Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

**6.05 Reasonableness of Restrictions.** Developer acknowledges that the restrictive covenants contained in this Section 6 are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Developer acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System, and the Marks, and Developer waives any right to challenge these restrictions as being overly broad, unreasonable, or otherwise unenforceable. Franchisor has the right, in its sole discretion, to reduce the scope of any restriction in this Section 6 by giving Developer written notice and Developer agrees to comply with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 11. The parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained in this Section 6 shall not render any other part unenforceable.

**6.06 Enforcement.** It is the parties' intent that the provisions of this Section 6 be judicially enforced to the fullest extent permissible under applicable law. Developer agrees that the existence of any claims Developer may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to Franchisor's enforcement of this Section 6. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 6. In the event of the actual or threatened breach of this Section 6 by Developer or any individual subject to the restrictions contained in this Section 6, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Injunctive relief will be in addition to any other remedies Franchisor may have. Developer agrees that, in the event of the actual or threatened breach of this Section, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Developer acknowledges and agrees on Developer's own behalf and on behalf of the persons who are liable under this Section 6 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 6 in no way prevent any such person from earning a living.

## **7. TERM AND TERMINATION**

**7.01 Term.** This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will end on the earlier of: (a) the date that the final Franchised Business is required to be opened and operating under the Development Schedule; or (b) the date that the final Franchised Business is open. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the territorial rights granted in connection with any Franchised Businesses that Developer has opened and commenced operating as of the date this



Agreement is terminated or expires (under the respective Franchise Agreements that Developer entered into for such Franchised Businesses).

**7.02 Termination.** Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events:

- (a) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its development business for three (3) consecutive months, or any shorter period that indicates an intent by Developer to discontinue development of the Franchised Businesses within the Development Area;
- (b) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer;
- (c) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, including any failure to pay any portion of the Development Fee and fails to cure such default within thirty (30) days of receiving notice thereof; and
- (d) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

**7.03 Effect of Expiration or Termination.** Upon expiration or termination of this Agreement (regardless of the reason for termination):

- (a) Any and all rights granted to Developer under this Agreement will immediately terminate; however, Developer will not be relieved of any of its obligations, debts or liabilities under this Agreement, including, without limitation, any debts, obligations or liabilities which have accrued before such termination.
- (b) Developer will have no further rights to develop and open Franchised Businesses in the Development Area, except that Developer may develop and open any Franchised Businesses for which Developer has executed Franchise Agreements prior to the date of expiration or termination of this Agreement and continue to operate Franchised Businesses that are open and operating as of the date this Agreement expires or terminates.
- (c) Franchisor and its affiliates will have the right to operate, and authorize others to operate, Beauty Bars located within the Development Area and continue to engage, and grant to others the right to engage, in any activities that Franchisor and its affiliates desire within the Development Area without any restrictions whatsoever, subject only to Developer's rights under existing Franchise Agreements.
- (d) Franchisor shall retain the Development Fee payable pursuant to Section 2.01 of this Agreement.

**7.04 No Waiver.** Termination of this Agreement by Franchisor shall not constitute an election of remedies by Franchisor. The exercise of the rights granted under this Section 7 are in addition to, and not in lieu of, any and all other rights and remedies available to us at law, in equity or otherwise, including without limitation the right to an injunction as set forth in Section 6.06, all of which are cumulative.

## **8. TRANSFER**

Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding the foregoing, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's Initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

## **9. INCORPORATION OF OTHER TERMS**

Sections 19 (Relationship of the Parties and Indemnification), 20 (General Contract Provisions), 21 (Applicable Law and Dispute Resolution); 22 (Compliance with Anti-Terrorism Laws); and 23 (Acknowledgements and Warranty) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of this Agreement and the relationship of the parties to this Agreement as though fully restated within the text of this Agreement.

## **10. ENTIRE AGREEMENT**

This Agreement constitutes the entire Agreement between the parties with respect to the matters herein and supersedes all previous agreements and understandings between the parties in any way relating to the subject matter hereof. It is expressly understood and agreed that Franchisor has made no representations, inducements, warranties, or promises, whether direct, indirect or collateral, expressed or implied, oral or otherwise, concerning this Agreement, the matters herein, the Franchised Businesses or concerning any other matters which are not embodied herein. Except for those 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 and executed by Developer and Franchisor's authorized officers or agents in writing. Nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the latest franchise disclosure document that Franchisor furnished to Developer.

## **11. COUNTERPARTS AND TRANSMISSION**

This Agreement may be executed in one or more counterparts, each of which will be deemed an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The parties hereto agree that this Agreement may be transmitted by electronic transmission (including PDF and electronic signature services such as DocuSign) and shall be treated as binding as if originals.

[Signatures follow on next page.]



**IN WITNESS WHEREOF** the parties hereto have caused this Agreement to be duly executed as of the Effective Date noted below.

**FRANCHISOR:**

**DEVELOPER:**

**THE TEN SPOT LTD.**

**[Insert Entity Name]**

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

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

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

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

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

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

**Effective Date:** \_\_\_\_\_

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

**EXHIBIT A to DEVELOPMENT AGREEMENT**

**DEVELOPMENT INFORMATION**

**1. Development Fee.** \_\_\_\_\_

**2. Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

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

**3. Development Schedule.** Developer agrees to sign Franchise Agreements for and to open \_\_\_\_\_ ( ) new Franchised Businesses within the Development Area (including the Franchised Business governed by the Initial Franchise Agreement) according to the following Development Schedule:

Development Period	Expiration Date	Number of New Beauty Bars Developer Must Open in Development Area	Cumulative Number of Beauty Bars Developer Must Have Open Within Development Area
First	___ Months from Effective Date		
Second	___ Months from Effective Date		
Third	___ Months from Effective Date		

**FRANCHISOR:**

**THE TEN SPOT LTD.**

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

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

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

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

**DEVELOPER:**

**[Insert Entity Name]**

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

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

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

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

**EXHIBIT D TO  
FRANCHISE DISCLOSURE DOCUMENT  
TABLE OF CONTENTS OF THE MANUALS**

## **FRANCHISE PARTNER MANAGEMENT MANUAL – 240 pages**

- Expectations and Job Description	<u>71</u>
- Policies	<u>24</u>
- Health & Safety Standards / Protocols	<u>12</u>
- Guest Care	<u>39</u>
- Reporting Requirements	<u>15</u>
- Staff Management Best Practices	<u>34</u>
- Operational Requirements	<u>30</u>
- Inventory and Purchasing	<u>15</u>

## **GUEST COORDINATOR MANUAL – 79 pages**

- Policies	<u>7</u>
- Bookings	<u>20</u>
- Transactions	<u>11</u>
- Guest Care	<u>10</u>
- Operational Requirements	<u>31</u>

## **ESTHETICS MANUAL – 249 pages**

- Guest Care	<u>15</u>
- Operational Requirements	<u>14</u>
- Health & Safety Protocols	<u>22</u>
- Service Protocols	<u>198</u>

## **GUIDES (“HOW TO” SLIDES WITH IMAGES) – 434 pages**

- Location Guide	<u>11</u>
- Bookkeeping Guide	<u>13</u>
- Source Guide & Construction Specs	<u>15</u>
- Initial Orders & Supplies Guide	<u>191</u>
- Hiring Guide	<u>30</u>
- Initial Set Up Guide	<u>56</u>
- Brand Guide	<u>54</u>
- Marketing Guide	<u>64</u>

**EXHIBIT E TO  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

**LIST OF US FRANCHISEES AS OF APRIL 30, 2021**

**LIST OF US FRANCHISEES AND LOCATIONS**

<b>Franchisee Entity</b>	<b>Contact Person</b>	<b>Beauty Bar Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Telephone No.</b>
Amara Ventures, Inc.	Brenda Langille	1455 Coal Creek Drive	Lafayette	CO	80026	303-587-0076
Tenfold Collective Corporation	Darnell Suggs	1393 N Highland Ave.	Atlanta	GA	30306	404-954-1260
TheSix. 12 Group, LLC	Kris Rosen	103 2 <sup>nd</sup> North Street	Minneapolis	MN	55401	612-207-9656

**LIST OF US FRANCHISEES WHO HAVE SIGNED A FRANCHISE AGREEMENT BUT HAVE NOT YET OPENED THEIR BEAUTY BAR**

<b>Franchisee Entity</b>	<b>Contact Person</b>	<b>Telephone No.</b>	<b>Geographic Area</b>
Les And Mar Beauty Bar L.L.C.	Marcos Favela	985-590-1333	Fort Collins, Colorado
Amara Ventures, Inc.	Brenda Langille	303-587-0076	Lafayette, Colorado
Tenfold Collective Corporation	Darnell Suggs	404-954-1260	Atlanta, Georgia
MLA Hospitality, LLC	Melissa Amison	443-570-0154	Bethesda, Maryland
TheSix. 12 Group, LLC	Kris Rosen	612-207-9656	Minneapolis, Minnesota
Long Island Beauty Bar Inc.	David Regan	347-453-3239	Long Island, New York
Jennfire & Co	Jennifer Howard-Brown	512-426-0359	Austin, Texas

**LIST OF US FRANCHISEES WHO HAVE SIGNED A DEVELOPMENT AGREEMENT**

<b>Franchisee Entity</b>	<b>Contact Person</b>	<b>Telephone No.</b>	<b>Development Area</b>
Amara Ventures, Inc.	Brenda Langille	303-587-0076	Lafayette, Colorado
Tenfold Collective Corporation	Darnell Suggs	404-954-1260	Atlanta, Georgia
TheSix. 12 Group, LLC	Kris Rosen	612-207-9656	Minneapolis, Minnesota
Jennfire & Co	Jennifer Howard-Brown	512-426-0359	Austin, Texas



**LIST OF US FRANCHISEES WHO CLOSED A BEAUTY BAR, TRANSFERRED THEIR BEAUTY BAR OR WHOSE FRANCHISE AGREEMENT WAS NOT RENEWED OR TERMINATED IN OUR LAST FISCAL YEAR**

None

**LIST OF FRANCHISED BEAUTY BARS OF OUR AFFILIATE, THE TEN SPOT FRANCHISING, INC. IN CANADA**

<b>Franchisee Entity and Contact Person</b>	<b>Beauty Bar Address</b>	<b>City</b>	<b>Province</b>	<b>Phone Number</b>
<b>Red Notebook Inc.</b> (Jamie OBrien)	1006 Mainland Street	Vancouver	BC	778-379-5959
<b>1218340 B.C. Ltd.</b> (Jamie OBrien)	1101 Fort St.	Victoria	BC	778-379-5959
<b>Kelley Enterprises Inc.</b> (Lisa Jensen)	170-525 Highway 97 South	West Kelowna	BC	778-755-6610
<b>Ellu Atlantic Inc.</b> (Ainsley Short)	936 Bedford Hwy	Bedford	NS	902-407-5707
<b>3297940 Nova Scotia Limited</b> (Nicole Turlo)	5165 South Street	Halifax	NS	902-445-1010
<b>Fana-D Inc.</b> (Soja Fana)	48-60 Salem Road South, Unit 4	Ajax	Ontario	905-426-7777
<b>Comisky Enterprises Ltd.</b> (Corin Comisky)	19 Quebec St.	Guelph	Ontario	519-265-7410
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	146 James Street North,	Hamilton	Ontario	647-728-4223
<b>2629676 Ontario Corp.</b> (Kim Arnold, Carolyne Beausoleil)	451 Hazeldean Road	Kanata	Ontario	613-836-0001
<b>HQS Ltd.</b> (Ainsley Short)	165 King St. W.	Kitchener	Ontario	519-208-5660
<b>LESTROISFILLES INC.</b> (April Simard)	710 Second Line E, Sault Ste.	Marie	Ontario	705-575-7768
<b>2631367 Ontario Inc.</b> (Aly Daya)	106 Main St. N.	Markham	Ontario	905-554-7768

<b>Franchisee Entity and Contact Person</b>	<b>Beauty Bar Address</b>	<b>City</b>	<b>Province</b>	<b>Phone Number</b>
<b>2484696 Ontario Inc.</b> (Aly Daya)	80 Port Street East, Unit a/b1	Mississauga	Ontario	905-990-3292
<b>2676708 Ontario Inc.</b> (Aly Daya)	12 Clock Tower Road	North York	Ontario	416-546-2211
<b>2676698 Ontario Inc.</b> (Aly Daya)	302 Lakeshore Rd. E., Unit A	Oakville	Ontario	289-837-2449
<b>2561033 Ontario Inc.</b> (Kelli Preston)	481 Gibb Street	Oshawa	Ontario	905-434-6800
<b>23779997 Ontario Inc.</b> (Kim Arnold, Carolyne Beausoleil)	397 Richmond Road	Ottawa	Ontario	613-680-1397
<b>MKLA Inc.</b> (Annie Letourneau)	625 Bank Street	Ottawa	Ontario	613-565-5005
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	749 Queen Street West	Toronto	Ontario	647-728-4223
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	916 Queen Street East	Toronto	Ontario	647-728-4223
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	2272 Bloor Street West	Toronto	Ontario	647-728-4223
<b>Jennifer Ruppel Holdings</b> (Jennifer Ruppel)	117 Roncesvalles Avenue	Toronto	Ontario	416-613-0258
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	2012 Queen Street East	Toronto	Ontario	647-728-4223
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	409 Danforth Ave.	Toronto	Ontario	647-728-4223
<b>2389477 Ontario Inc.</b> (Laura Hopkins)	497 Bloor Street West	Toronto	Ontario	647-693-7405
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	1657 Bayview Ave.	Toronto	Ontario	647-728-4223

<b>Franchisee Entity and Contact Person</b>	<b>Beauty Bar Address</b>	<b>City</b>	<b>Province</b>	<b>Phone Number</b>
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	2507 Yonge Street	Toronto	Ontario	647-728-4223
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	176 Yonge Street	Toronto	Ontario	647-728-4223
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	979 Coxwell Road	Toronto	Ontario	647-728-4223
<b>2719931 Ontario Inc.</b> (Katrina Starke)	3324 Yonge St.	Toronto	Ontario	416-300-2354
<b>1<sup>st</sup> Story Franchises</b> (Jackie Allen, Jessie Allen, Stewart Allen)	351 King St. E.	Toronto	Ontario	647-728-4223
<b>Emerald Investments Inc.</b> (Kelsey Macdonald)	102-43 Queen Street	Charlottetown	PEI	902-370-2550
<b>10038261 Canada Inc.</b> (Navaid Mansuri)	1368 Green Ave	Montreal	PQ	514-846-8010
<b>10038288 Canada Inc.</b> (Navaid Mansuri)	5107 Av du Parc	Montreal	PQ	514-279-3010
<b>9400-5402 Quebec Inc.</b> (Navaid Mansuri)	1646 Notre-Dame St W	Montreal	PQ	514-935-1001
<b>9401-3042 Quebec Inc.</b> (Navaid Mansuri)	682 Saint-Paul St. W.	Montreal	PQ	514-935-1001

**LIST OF FRANCHISEES OF OUR AFFILIATE, THE TEN SPOT FRANCHISING, INC. IN CANADA WHO CLOSED A BEAUTY BAR, TRANSFERRED THEIR BEAUTY BAR OR WHOSE FRANCHISE AGREEMENT WAS NOT RENEWED OR TERMINATED IN OUR LAST FISCAL YEAR**

None

**CANADIAN BEAUTY BARS  
SYSTEM-WIDE OUTLET SUMMARY\*  
FOR OUR FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	23	28	+5
	2020	28	32	+4
	2021	32	36	+4
Company-owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
<b>Total Outlets</b>	<b>2019</b>	<b>23</b>	<b>28</b>	<b>+5</b>
	<b>2020</b>	<b>28</b>	<b>32</b>	<b>+4</b>
	<b>2021</b>	<b>32</b>	<b>36</b>	<b>+4</b>

**CANADIAN BEAUTY BARS  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR)  
FOR FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021**

Province	Year	Number of Transfers
British Columbia	2019	0
	2020	1
	2021	0
Ontario	2019	2
	2020	0
	2021	0
<b>Total</b>	<b>2019</b>	<b>2</b>
	<b>2020</b>	<b>1</b>
	<b>2021</b>	<b>0</b>

**CANADIAN BEAUTY BARS  
STATUS OF FRANCHISED OUTLETS  
FOR FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021**

Province	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations– Other Reasons	Outlets at End of Year
BC	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
NS	2019	1	0	0	0	0	0	1
	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2

Province	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations– Other Reasons	Outlets at End of Year
ON	2019	18	4	0	0	0	0	22
	2020	22	2	0	0	0	0	24
	2021	24	2	0	0	0	0	26
PEI	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
PQ	2019	1	1	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	1	0	0	0	0	4
<b>Total</b>	<b>2019</b>	<b>23</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28</b>
	<b>2020</b>	<b>28</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>
	<b>2021</b>	<b>32</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36</b>

**CANADIAN BEAUTY BARS  
STATUS OF COMPANY-OWNED OUTLETS  
FOR FISCAL YEARS ENDING APRIL 30, 2018, 2019 AND 2020**

Province	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
ON	2019	0	0	0	0	4	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
<b>Total</b>	<b>2019</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**EXHIBIT F TO  
FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

**THE TEN SPOT LTD.**

**April 30, 2021**

*FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT*

**THE TEN SPOT.**



**THE TEN SPOT LTD.  
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Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

To the Director of  
The Ten Spot LTD.  
Toronto, Ontario

We have audited the accompanying financial statements of The Ten Spot LTD. (a Delaware corporation), which comprise the balance sheets as of April 30, 2021, 2020, and 2019, and the related statements of income, stockholder's equity, and cash flows for the years ended April 30, 2021, 2020, and the period from inception (June 1, 2018) to April 30, 2019, and the related notes to the financial statements.

### **Management's Responsibility 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; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ten Spot LTD. as of April 30, 2021, 2020, and 2019, and the results of its operations and its cash flows for the years ended April 30, 2021, 2020, and the period from inception (June 1, 2018) to April 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

To the Director of  
The Ten Spot LTD.  
Page 2

**Emphasis of Matter**

As discussed in the notes to the financial statements, The Ten Spot LTD. adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
August 17, 2021

**THE TEN SPOT LTD.  
BALANCE SHEETS**

**ASSETS**

	April 30,		
	2021	2020	2019
<b>Current Assets</b>			
Cash	\$ 298,244	\$ 221,239	\$ 156,976
Accounts Receivable	5,578	3,165	-
Accounts Receivable - Related Party	13,711	-	-
Development Receivable	25,000	25,000	-
Deferred Costs	53,264	22,000	12,383
<b>Total Current Assets</b>	<b>395,797</b>	<b>271,404</b>	<b>169,359</b>
<b>Other Assets</b>			
Accounts Receivable (Less Current Portion)	60,000	-	-
Deferred Costs (Less Current Portion)	336,983	313,789	271,686
Franchise Development Costs, Net	44,887	56,863	59,856
<b>Total Other Assets</b>	<b>441,870</b>	<b>370,652</b>	<b>331,542</b>
<b>Total Assets</b>	<b>\$ 837,667</b>	<b>\$ 642,056</b>	<b>\$ 500,901</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>Current Liabilities</b>			
Accounts Payable	\$ 28,000	\$ 711	\$ 1,191
Accounts Payable - Related Party	56,343	-	-
Deferred Revenue	119,967	73,005	22,667
<b>Total Current Liabilities</b>	<b>204,310</b>	<b>73,716</b>	<b>23,858</b>
<b>Long-Term Liabilities (Less Current Portion)</b>			
Note Payable - Related Party	-	-	35,852
Deferred Revenue	602,032	501,001	341,482
<b>Total Long-Term Liabilities</b>	<b>602,032</b>	<b>501,001</b>	<b>377,334</b>
<b>Total Liabilities</b>	<b>806,342</b>	<b>574,717</b>	<b>401,192</b>
<b>Stockholder's Equity</b>			
Common Stock - No Par Value; 100 Shares Authorized, Issued and Outstanding	1,000	1,000	1,000
Additional Paid-In Capital	100,000	100,000	100,000
Retained Deficit	(69,675)	(33,661)	(1,291)
<b>Total Stockholder's Equity</b>	<b>31,325</b>	<b>67,339</b>	<b>99,709</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 837,667</b>	<b>\$ 642,056</b>	<b>\$ 500,901</b>

See accompanying notes.

**THE TEN SPOT LTD.  
STATEMENTS OF INCOME**

	<u>Year Ended April 30, 2021</u>	<u>Year Ended April 30, 2020</u>	<u>From Inception (June 1, 2018) to April 30, 2019</u>
<b>Revenues</b>			
Franchise Fees	\$ 52,675	\$ 25,643	\$ 851
Project Management Fees	23,833	-	-
Technology Fees	973	318	-
Royalties	13,654	801	-
Other	4,994	1,695	-
	<u>96,129</u>	<u>28,457</u>	<u>851</u>
<b>Direct Costs</b>			
Commissions	23,542	14,280	681
Management Fee	35,000	-	-
Other	396	175	-
	<u>58,938</u>	<u>14,455</u>	<u>681</u>
	<u>37,191</u>	<u>14,002</u>	<u>170</u>
<b>Expenses</b>			
Professional Fees	49,760	42,636	1,191
Bank Fees	1,102	216	177
Office Expense	2,158	608	136
Travel Expense	8,766	-	-
Amortization Expense	11,976	2,993	-
	<u>73,762</u>	<u>46,453</u>	<u>1,504</u>
	<u>(36,571)</u>	<u>(32,451)</u>	<u>(1,334)</u>
<b>Other Income</b>			
Foreign Exchange Gain	430	-	-
Interest Income	127	81	43
	<u>557</u>	<u>81</u>	<u>43</u>
	<u>\$ (36,014)</u>	<u>\$ (32,370)</u>	<u>\$ (1,291)</u>

See accompanying notes.

**THE TEN SPOT LTD.  
STATEMENTS OF STOCKHOLDER'S EQUITY**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Deficit</u>	<u>Total</u>
<b>Balance at June 1, 2018</b>	\$ -	\$ -	\$ -	\$ -
Issued Shares	1,000	-	-	1,000
Contributions	-	100,000	-	100,000
Net Loss	<u>-</u>	<u>-</u>	<u>(1,291)</u>	<u>(1,291)</u>
<b>Balance at April 30, 2019</b>	1,000	100,000	(1,291)	99,709
Net Loss	<u>-</u>	<u>-</u>	<u>(32,370)</u>	<u>(32,370)</u>
<b>Balance at April 30, 2020</b>	1,000	100,000	(33,661)	67,339
Net Loss	<u>-</u>	<u>-</u>	<u>(36,014)</u>	<u>(36,014)</u>
<b>Balance at April 30, 2021</b>	<u>\$ 1,000</u>	<u>\$ 100,000</u>	<u>\$ (69,675)</u>	<u>\$ 31,325</u>

See accompanying notes.

**THE TEN SPOT LTD.  
STATEMENTS OF CASH FLOWS**

	<b>Year Ended April 30, 2021</b>	<b>Year Ended April 30, 2020</b>	<b>From Inception (June 1, 2018) to April 30, 2019</b>
<b>Cash Flows From Operating Activities</b>			
Net Loss	\$ (36,014)	\$ (32,370)	\$ (1,291)
Reconciliation of Net Loss with Cash Flows From Operating Activities			
Amortization Expense	11,976	2,993	-
Changes In			
Accounts Receivable	(62,413)	(3,165)	-
Accounts Receivable - Related Party	(13,711)	-	-
Deferred Costs	(54,458)	(51,720)	(284,069)
Accounts Payable	27,289	(480)	1,191
Accounts Payable - Related Party	56,343	-	-
Deferred Revenue	147,993	184,857	364,149
	77,005	100,115	79,980
Net Cash Provided by Operating Activities	77,005	100,115	79,980
<b>Cash Flows From Investing Activities</b>			
Franchise Development Costs	-	-	(24,004)
	-	-	(24,004)
<b>Cash Flows From Financing Activities</b>			
Payment on Note Payable - Related Party	-	(35,852)	-
Common Stock Issued	-	-	1,000
Equity Contribution	-	-	100,000
	-	(35,852)	101,000
Net Cash (Used) Provided by Financing Activities	-	(35,852)	101,000
Net Change in Cash	77,005	64,263	156,976
<b>Beginning Cash Balance</b>	<b>221,239</b>	<b>156,976</b>	<b>-</b>
<b>Ending Cash Balance</b>	<b>\$ 298,244</b>	<b>\$ 221,239</b>	<b>\$ 156,976</b>

See accompanying notes.



**THE TEN SPOT LTD.  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Ten Spot LTD. (the Company) was incorporated in the State of Delaware in June 2018. The Company is a wholly owned subsidiary of The Ten Spot USA Holding, Inc., a company incorporated in Canada. The Company intends to franchise the right to operate beauty bars under The Ten Spot trademarks throughout the United States of America. The Company's viability is dependent on the strength of the industry it serves, and the Company's ability to collect on its contracts with customers.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within contractual terms of the account. The Company begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Company's collection history, the financial stability, and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectable after the Company has used reasonable collection efforts and deems them uncollectible. Based on these criteria, no allowance for doubtful accounts has been provided as of April 30, 2021, 2020 or 2019.

**Development Receivable**

The development receivable is stated at its contractual outstanding balance, net of any loss allowance. The Company evaluated this receivable based on payment history and credit worthiness of the borrower and determined that the development receivable is fully collectible. Therefore, no loss allowance was established as of April 30, 2021, 2020, or 2019.

**Franchise Development Cost**

Cost associated with the development of the franchise agreement and initial franchise disclosure document are capitalized and amortized over the life of the franchise agreements using the straight-line method over five years.

**Revenue Recognition**

Revenue is measured at the amount of consideration expected to be received in exchange for transferring goods or providing services. The Company recognizes contract revenue for financial reporting purpose over time and at a point in time.

The Company's contracts with customers are documented in the form of a franchise agreement. The franchise agreement between the Company, as the franchisor, and the franchisee, as the customer, requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchise. These activities receive consideration through payment of the initial franchise fee. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of license.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additional consideration from the initial franchise fee, requires the Company to provide certain services to the franchisee. Generally, these services include training of the franchisee's personnel, implementation of an accounting system, implementation of information technology, and other advisory services.

In recognizing revenue, the Company has elected to apply the practical expedient to account for certain pre-opening services performed for franchisees as distinct from the franchise license itself, and also has made an accounting policy election to account for all such services as a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of initial franchise fees, continuing franchise fees, and project management fees. The transaction price of the initial franchise fees is allocated to the performance obligations of the franchise license and pre-opening services. The Company allocates the transaction price by considering the estimated cost plus margin of the pre-opening services that are performed, and the residual value is allocated to franchise license. No allocation of the transaction price for continuing franchise fees and project management fees are required as these are stated at the standalone selling price.

The following describes principal activities, separated by major product or service, from which the Company generates its revenues:

*Franchise Fees*

Franchise fees consist of 1) franchise license fees, 2) area development exclusivity fees, and 3) pre-opening service fees.

Franchise license fees are typically billed upon execution of the franchise agreement and amortized over the term of the franchise agreement which is 10 years.

Area development exclusivity fees are typically billed upon execution of the area development agreement and allocated on a pro rata basis to all stores opened under the specific development agreement. The franchisee cannot benefit from exclusivity on its own, until a location opens, and therefore the allocated area development exclusivity fees are amortized over the term of each individual stores franchise agreement, which is 10 years.

Pre-opening service fees are recognized at a point in time, which is upon opening of the spa.

Total franchise fees reported on the statements of income consist of the following:

	Year Ended April 30, 2021	Year Ended April 30, 2020	From Inception (June 1, 2018) to April 30, 2019
Franchise License Fees	\$ 8,483	\$ 2,625	\$ -
Area Development Exclusivity Fees	13,692	8,018	851
Pre-opening Service Fees	30,500	15,000	-
	<u>\$ 52,675</u>	<u>\$ 25,643</u>	<u>\$ 851</u>

*Continuing Franchise Fees*

Continuing franchise fees consist of 1) technology fees and 2) royalties.

Technology fees are paid on a monthly basis to provide consideration for the technology products utilized in connection with the Company's system. The Company recognizes revenue over time utilizing an input method and aligns with when the service is provided. Typically, revenue is recognized in the amount invoiced since that corresponds directly to the value of the Company's performance to date as the Company bills the franchisee monthly for technology fees.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Franchise royalties, which are based on a percentage of franchise spa sales, are recognized as sales occur. The royalty revenue percentage applied to the franchise spa is 8% of gross sales.

*Project Management Fees*

Project management fees are paid upon approval by the franchisee of the spa location buildout model. These fees are initially recorded as deferred revenue and revenue is recognized over time on straight-line basis calculated using the total project period, which is typically twelve weeks.

Determining when control transfers require management to make judgements that affect the timing of revenue recognized. The Company believes that the preceding methods provide a faithful depiction of the transfer of control of its products.

*Costs to Obtain a Contract*

The Company incurs commission fees for the use of a franchise brokerage service that is engaged to find customers to enter into franchise agreements and area development exclusivity agreements. The commissions incurred are allocated to each performance obligation and are amortized over the term of the franchise agreement, which is 10 years. Unamortized costs are reported in the balance sheets as deferred costs.

**Income Taxes**

The Company is taxed as a “C” Corporation under the Internal Revenue Code and similar state law. The Company pays income taxes and makes a provision or liability for future federal and state income taxes in the financial statements.

The Company has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Company recognized no interest or penalties in the statements of income for the years ended April 30, 2021, 2020, and the period from inception (June 1, 2018) to April 30, 2019. If the situation arose in which the Company would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the years ended April 30, 2021, 2020, and the period from inception (June 1, 2018) to April 30, 2019 is open under federal and state statutes of limitations and remains subject to review and change. The Company is not currently under audit nor has the Company been contacted by these jurisdictions.

Based on the evaluation of the Company’s tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended April 30, 2021, 2020, and the period from inception (June 1, 2018) to April 30, 2019.

Due to the immaterial amount and uncertainty if the amount would be realized, no deferred tax asset or liability has been recorded for the years ended April 30, 2021, 2020, and the period from inception (June 1, 2018) to April 30, 2019.

**Recently Issued Significant Accounting Standards***Lease Accounting Standard*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lease should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2021.

The Company is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Subsequent Events**

The Company has evaluated subsequent events through August 17, 2021, which is the date the financial statements were available to be issued.

**NOTE 2 – CASH AND CASH FLOWS**

At various times throughout the year, the Company may have cash in certain financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances in all accounts up to \$250,000 for each business depositor.

The Company had noncash financing and investing transactions as follows:

	Year Ended April 30, 2021	Year Ended April 30, 2020	From Inception (June 1, 2018) to April 30, 2019
Advance to Franchisee on Development Agreement	\$ <u>                    -</u>	\$ <u>                  25,000</u>	\$ <u>                    -</u>
Payments made by Related Party for Development Cost	\$ <u>                    -</u>	\$ <u>                    -</u>	\$ <u>                  35,852</u>

**NOTE 3 – DEVELOPMENT RECEIVABLE**

In March 2020, the Company entered into an agreement with a developer to establish four beauty bars. As part of the agreement, the developer is to pay the Company \$25,000 no later than six months after the first beauty bar required under the development schedule opens and commences operations. As of April 30, 2021 and 2020, no balance on this receivable has been collected.

**NOTE 4 – NOTE PAYABLE - RELATED PARTY**

The Company had a note payable balance of \$35,852 to an affiliate company, The Ten Spot Franchising Inc., for invoices paid during the year of inception. The note payable had no specific terms of repayment and the note was non-interest bearing. The Company did not calculate imputed interest on the note, as the amount was immaterial to the financial statements. The balance of the note was paid in full during the year ended April 30, 2020.

**NOTE 5 – DEFERRED COMMISSION COSTS AND DEFERRED REVENUE**

The amounts of deferred commission costs and deferred revenue of franchise sales as of April 30, 2021, 2020, and 2019 are as follows:

	April 30,		
	2021	2020	2019
<b>Deferred Commission Costs</b>			
Franchise License	\$ 286,087	\$ 242,249	200,120
Pre-opening Services	104,160	83,040	67,199
Marketing	-	10,500	16,750
	<u>\$ 390,247</u>	<u>\$ 335,789</u>	<u>\$ 284,069</u>
<b>Deferred Revenue</b>			
Franchise License	\$ 509,332	\$ 404,506	\$ 250,149
Pre-opening Services	197,500	169,500	114,000
Project Management Fee	15,167	-	-
	<u>\$ 721,999</u>	<u>\$ 574,006</u>	<u>\$ 364,149</u>

**NOTE 6 – FRANCHISE DEVELOPMENT COSTS SUBJECT TO AMORTIZATION**

The following is a summary of franchise development costs subject to amortization:

	Year Ended April 30, 2021	Year Ended April 30, 2020	From Inception (June 1, 2018) to April 30, 2019
Cost	\$ 59,856	\$ 59,856	\$ 59,856
Less Accumulated Amortization	<u>14,969</u>	<u>2,993</u>	<u>-</u>
Net Cost	<u>\$ 44,887</u>	<u>\$ 56,863</u>	<u>\$ 59,856</u>

Amortization of these costs was \$11,976, \$2,993 and \$-0- for the years ended April 30, 2021, 2020 and the period from inception (June 1, 2018) to April 30, 2019, respectively. Estimated amortization for the remaining costs is as follows:

Years Ending April 30,	
2022	\$ 11,976
2023	11,976
2024	11,976
2025	<u>8,959</u>
	<u>\$ 44,887</u>

**NOTE 7 – FRANCHISED OUTLETS**

The Company has entered into development and licensing agreements with area developers and various individuals to develop stores in certain geographic regions or venues. These agreements generally stipulate that a certain number of locations are to be opened every nine months. Below is an analysis of changes in the number of franchised outlets and locations opened:

	April 30,		
	2021	2020	2019
Number of Signed Franchise Agreements at the Beginning of Year	5	2	-
Signed Agreements During the Year	<u>3</u>	<u>3</u>	<u>2</u>
Number of Signed Franchise Agreements at the End of Year	<u>8</u>	<u>5</u>	<u>2</u>
Locations Signed Under Area Development Agreements and Franchise Agreements	<u>18</u>	<u>14</u>	<u>9</u>
Locations Opened as of Year End	<u>3</u>	<u>1</u>	<u>-</u>

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Activity between the Company and its Parent Company during the years ended April 30, 2021, 2020, and the period from inception (June 1, 2018) to April 30, 2019 were as follows:

Activity During the Year				
Management Fee Expense	\$	35,000	\$	-
			\$	-
Balances at December 31,				
Accounts Receivable	\$	13,711	\$	-
Accounts Payable	\$	56,343	\$	-
Note Payable	\$	-	\$	35,852

The Company's management fee is paid to the Parent Company to cover the cost associated with pre-opening services performed for the Company's franchisees. These costs are included as direct costs on the statements of income.

**NOTE 9 – NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the "new guidance".

**NOTE 9 – NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)**

The Company adopted the requirements of the new guidance as of May 1, 2020, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to the Company's accounting policies for revenue recognition, trade and other receivables, contract assets, and contract liabilities as detailed below. The Company applied the new guidance using the following practical expedients which are provided in Topic 606: completed contracts that began and ended in the same year were not restated; the actual, rather than estimated, consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the Company expects to recognize that amount of revenue for 2019 and 2020 was not disclosed. The effects of applying these practical expedients were not significant to the financial statements.

The impact of adopting the new guidance was an increase to the Company's revenues and direct costs by \$851 and \$681, respectively, for the period from inception (June 1, 2018) to April 30, 2019. The Company adjusted the financial statements for the period from inception (June 1, 2018) to April 30, 2019 from amounts previously reported to adopt the new guidance. The following are line items from the balance sheet for the period from inception (June 1, 2018) to April 30, 2019 that were restated, the adjustments made to the line items, and the restated amounts:

	<u>As Previously Report</u>	<u>Revenue Recognition Adjustments</u>	<u>As Restated</u>
<b>Assets</b>			
Deferred Costs	\$ 284,750	\$ (681)	\$ 284,069
<b>Liabilities</b>			
Deferred Revenue	\$ 365,000	\$ (851)	\$ 364,149
<b>Stockholders' Equity</b>			
Retained Deficit	\$ (1,461)	\$ 170	\$ (1,291)

The following are the line items from the statement of income and statement of cash flows for the period from inception (June 1, 2018) to April 30, 2019, that were restated, the adjustments made to the line items, and the restated amounts:

<b>Revenues</b>			
Franchise Fees	\$ -	\$ 851	\$ 851
<b>Expenses</b>			
Commissions	\$ -	\$ 681	\$ 681
<b>Net Loss</b>	<b>\$ (1,461)</b>	<b>\$ 170</b>	<b>\$ (1,291)</b>
<b>Cash Flows</b>			
Net Loss	\$ (1,461)	\$ 170	\$ (1,291)
Deferred Costs	\$ (284,750)	\$ 681	\$ (284,069)
Deferred Revenue	\$ 365,000	\$ (851)	\$ 364,149



**NOTE 9 – NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)**

The impact of adopting the new guidance was a decrease to the Company's revenues and direct costs by \$31,024 and \$25,303, respectively, for the year ended April 30, 2020. The Company adjusted the financial statements for the year ended April 30, 2020 from amounts previously reported to adopt the new guidance.

The following are line items from the balance sheet as of April 30, 2020 that were restated, the adjustments made to the line items, and the restated amounts:

	As Previously Report	Revenue Recognition Adjustments	As Restated
<b>Assets</b>			
Deferred Costs	\$ 311,167	\$ 24,622	\$ 335,789
<b>Liabilities</b>			
Deferred Revenue	\$ 543,833	\$ 30,173	\$ 574,006
<b>Stockholders' Equity</b>			
Retained Deficit	\$ (28,110)	\$ (5,551)	\$ (33,661)

The following are the line items from the statement of income and statement of cash flows for the year ended April 30, 2020, that were restated, the adjustments made to the line items, and the restated amounts:

<b>Revenues</b>			
Franchise Fees	\$ 56,667	\$ (31,024)	\$ 25,643
<b>Expenses</b>			
Commissions	\$ 39,583	\$ (25,303)	\$ 14,280
<b>Net Loss</b>	<b>\$ (26,649)</b>	<b>\$ (5,721)</b>	<b>\$ (32,370)</b>
<b>Cash Flows</b>			
Net Loss	\$ (26,649)	\$ (5,721)	\$ (32,370)
Deferred Costs	\$ (26,417)	\$ (25,303)	\$ (51,720)
Deferred Revenue	\$ 153,833	\$ 31,024	\$ 184,857

**NOTE 10 – RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK**

Prior to year-end, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the Company.

**EXHIBIT G TO  
FRANCHISE DISCLOSURE DOCUMENT**

**CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

## CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

This Confidentiality and Non-Disclosure Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between The Ten Spot Ltd., on behalf of itself and its direct and indirect parents, subsidiaries and affiliates (hereinafter collectively referred to as the "Company") and \_\_\_\_\_ (hereinafter referred to as the "Recipient").

WHEREAS, the Company possesses certain confidential information pertaining to its businesses; and,

WHEREAS, the Recipient may, from time to time, receive a disclosure of such confidential information from the Company or its agents, consultants or affiliates for the purpose of enabling the Recipient to evaluate a possible franchise opportunity (the "Franchise Opportunity"); and,

THEREFORE, the Recipient agrees to hold in confidence and to refrain from the unauthorized use of Confidential Information (as hereinafter defined) as set forth below:

1. Confidential Information.

(a) As used herein, "Confidential Information" means information about the Company, in whatever format, furnished to the Recipient pursuant to this Agreement by or on behalf of the Company, including, but not limited to, information regarding policies and procedures; concepts; tools; techniques; contracts; business records; marketing information and plans; demographic information; operations; basic Beauty Bar inventory; sales; costs; employees; vendors; suppliers; expansion plans (e.g. existing, and entry into new, geographic and/or product markets); location of Beauty Bars and offices (including proposed locations); lawsuits and/or claims; management philosophy; customer lists; rental activity reports; sell-through activity reports; and confidential information received from third parties pursuant to a confidential disclosure agreement,

(b) Confidential Information does not include information that (i) was available to the public prior to the time of disclosure, (ii) becomes available to the public through no act or omission of the Recipient, or (iii) communicated rightfully to Recipient free of any obligation of nondisclosure and without restriction as to its use. Recipient shall bear the burden of demonstrating that the information falls under one of the above-described exceptions.

2. Non-Use and Non-Disclosure.

Recipient agrees to (i) hold the Confidential Information in confidence and refrain from disclosing Confidential Information, or transmitting any documents or copies containing Confidential Information, to any other party except as permitted under the terms of this Agreement, (ii) use the Confidential Information only to assist the Recipient in evaluation of the Franchise Opportunity and will not disclose any of it except to the Recipient's directors, officers, employees and representatives (including outside attorneys, accountants and consultants) (collectively its "Representatives") who need such information for the purpose of evaluating the Franchise Opportunity (and the Recipient shall require such Representatives to agree to be bound by the provisions of this Agreement and the Recipient shall be responsible for any breach of the terms of this Agreement by its Representatives). Recipient shall use at least the standard of care with respect to protecting the Confidential Information that it accords or would accord its own proprietary and confidential information.

3. Ownership and Implied Rights.

All Confidential Information shall remain the exclusive property of the Company and nothing in this Agreement, or any document, or any course of conduct between the Company and the Recipient, shall be deemed to grant the Recipient any rights in or to the Confidential Information, or any part thereof.

Nothing herein shall obligate Company to enter into a franchise relationship with Recipient. Company may for any reason or for no reason decline to enter into a franchise relationship with Recipient. Recipient acknowledges that Company is under no obligation to enter into or execute a franchise agreement with Recipient on the basis of this Agreement or for any other reason.

4. Restrictions on Copying.

Recipient shall not make any copies of any Confidential Information, except as may be strictly necessary for Recipient to evaluate the Franchise Opportunity. Any copies made by Recipient shall bear a clear stamp or legend indicating their confidential nature. Recipient shall not remove, overprint or deface any notice of copyright, trademark, logo, or other notices of ownership from any originals or copies of Confidential Information.

5. Return of Materials.

At the request of the Company at any time, the Recipient shall promptly return to the Company all Confidential Information that may be contained in printed, written, drawn, recorded, computer disk or any other form whatsoever which is in the possession or control of the Recipient or the location of which is known by the Recipient, including all originals, copies, reprints and translations thereof and any notes prepared by the Recipient or its Representatives in connection with the Confidential Information.

6. Breach.

(a) In the event of Recipient's breach of its obligations under this Agreement or any other agreement with the Company, Company shall have the right to (i) demand the immediate return of all Confidential Information, (ii) recover its actual damages incurred by reason of such breach, including, but not limited to, its attorneys' fees and costs of suit, (iii) obtain injunctive relief to prevent such breach or to otherwise enforce the terms of this Agreement, and (iv) pursue any other remedy available at law or in equity.

(b) The Recipient recognizes that the Company would suffer irreparable harm for which it would not have an adequate remedy at law if the Recipient were to violate the covenants and agreements set forth herein. Accordingly, the Recipient agrees that the Company shall be entitled to specific performance and injunctive relief as remedies for any such breach and that, in such event, no bond shall be required. This remedy shall be in addition to any other remedy available at law or in equity.

7. Governing Law.

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN STRICT ACCORDANCE WITH THE SUBSTANTIVE LAW OF THE STATE OF DELAWARE WITHOUT REFERENCE TO CONFLICT OF LAW RULES.**

8. Waiver; Severability.

Any failure on the part of the Company to insist upon the performance of this Agreement or any part thereof, shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. If any provision of this Agreement, or the application thereof to any person or circumstance shall, for any reason or to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

9. Accuracy of Confidential Information.

(a) The Company makes no representation or warranty as to the accuracy or completeness of the Confidential Information. Neither the Company nor any of the officers, directors, employees, agents, advisors, legal counsel or other representatives or affiliates thereof, shall be subject to any liability resulting from the use of the Confidential Information by the Recipient and its Representatives.

(b) The Recipient acknowledges that the restrictions set forth herein are fair and reasonable and are necessary in order to protect the business of the Company and the confidential nature of the Confidential Information. The Recipient further acknowledges that the Confidential Information is unique to the business of the Company and would not be revealed to Recipient were it not for its willingness to agree to the restrictions set forth herein.

10. Applicability.

The terms, conditions and covenants of this Agreement shall apply to all business dealings and relations between the Company and the Recipient.

**RECIPIENT**

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

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

**THE TEN SPOT LTD.**

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

**EXHIBIT H TO  
FRANCHISE DISCLOSURE DOCUMENT**

**GENERAL RELEASE**

**GENERAL RELEASE**

This General Release (“Release”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ and \_\_\_\_\_ between The Ten Spot Ltd. (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

**WITNESSETH:**

**WHEREAS**, Franchisor and Franchisee are parties to a THE TEN SPOT Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_, granting Franchisee the right to operate a THE TEN SPOT beauty bar business under Franchisor’s Marks and system at the following location: \_\_\_\_\_

**NOW THEREFORE**, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasors”), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasees”), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasors. The Releasors, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release. Releasors hereby acknowledge that this release is intended to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist.

Each of the Releasors expressly acknowledges that they are familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

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

Each of the Releasors hereby specifically and expressly waives all rights that it may have under Section 1542 of the California Civil Code or any similar provision of law in any other jurisdiction. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Releasors acknowledge and agree that they have read the terms of this Release, they fully understand and voluntarily accept the terms, and that they have entered into this Release voluntarily and without any coercion.

**[SIGNATURES ON FOLLOWING PAGE]**



**IN WITNESS WHEREOF**, the parties hereto have executed this Release as of the date first above written.

**FRANCHISOR**

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

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

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

**FRANCHISEE**

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

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

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

**EXHIBIT I TO  
FRANCHISE DISCLOSURE DOCUMENT  
STATE-SPECIFIC ADDENDA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF CALIFORNIA**

1. 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.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR URL ADDRESS. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

2. **Item 3, Additional Disclosure**. The following statement is added to Item 3:

Neither we nor any person listed in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such parties from membership in such association or exchange.

3. **Item 17, Additional Disclosures**. The following statements are added to Item 17:

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

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The franchise agreements contain a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The franchise agreements provide for the application of the laws of Delaware. This provision may not be enforceable under California law.

The franchise agreements contain a choice of forum provision. This provision may not be enforceable under California law.

The franchise and development agreements contain a covenant not to compete that extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

You must sign a general release when you execute the franchise agreement and if you transfer your franchise or development rights (if applicable) or execute a renewal franchise agreement. These provisions may not be enforceable under California law. 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 21000 voids a

waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

**ADDITIONAL DISCLOSURES  
REQUIRED BY THE STATE OF MARYLAND**

1. **Item 5, Initial Fees.** The following section is added at the end of Item 5:

**Fee Deferral**

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Under the Franchise Agreement, all initial fees and payments you owe us must be deferred until we complete our pre-opening obligations under that Agreement. Under the Development Agreement, all initial fees and payments you owe us must be deferred until we complete our pre-opening obligations for the first Franchised Business developed under that Agreement.

2. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

Any provision requiring you to sign a general release of claims against us as a condition of renewal or transfer, does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

**ADDENDUM TO THE TEN SPOT DEVELOPMENT AGREEMENT  
REQUIRED FOR MARYLAND DEVELOPERS**

This Addendum to THE TEN SPOT Development Agreement dated \_\_\_\_\_ (“**Development Agreement**”) is entered into by and between **The Ten Spot Ltd.**, a Delaware limited liability company (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [*insert type of organization and delete these brackets*] formed in \_\_\_\_\_ [*insert state and delete these brackets*] (“**you**”, “**your**” or “**Developer**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Maryland; **(B)** Developer is a resident of the State of Maryland; **(C)** part or all of any Development Area is located in the State of Maryland; and/or **(D)** a Beauty Bar will be located or operated in the State of Maryland.
2. The following sentence is added to the end of Section 2.01 (Development Fee):  
  
Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments Developer owes to Franchisor under this Agreement must be deferred until Developer opens its first Franchised Business under this Agreement.
3. The following sentence is added to the end of Section 9 (Venue):  
  
Notwithstanding the foregoing, Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
4. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Development Agreement.
5. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.
6. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

[Signatures follow on next page.]

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**DEVELOPER:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Developer is one or more individuals:**

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

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



**ADDENDUM TO THE TEN SPOT FRANCHISE AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to THE TEN SPOT Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) is entered into by and between **The Ten Spot Ltd.**, a Delaware limited liability company (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [insert type of organization and delete these brackets] formed in \_\_\_\_\_ [insert state and delete these brackets] (“**you**”, “**your**” or “**Franchisee**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Franchisee was made in the State of Maryland; **(B)** Franchisee is a resident of the State of Maryland; and/or **(C)** a Beauty Bar will be located or operated in the State of Maryland.

2. The following sentence is added to the end of Section 3 (Fees):

Based upon Franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments Franchisee owes to Franchisor under this Agreement must be deferred until Franchisor completes its pre-opening obligations under this Agreement.

3. The following sentence is added to the end of Sections 4.02(g) (Renewal) and 18.02(c)(iii) (Assignment by Franchisee):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. The following sentence is added to the end of Section 21.04 (Venue):

Notwithstanding the foregoing, Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following sentence is added to the end of Section 21.07 (Limitation of Claims):

This limitation of claims provision shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law, which claim must be brought within 3 years after the grant of the franchise.

6. The following sentence is added to the end of Section 23 (Acknowledgements):

Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

7. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

- 8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
- 9. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**FRANCHISEE:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Franchisee is one or more individuals:**

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

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

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MICHIGAN**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of 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 obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

**\* NOTE: NOTWITHSTANDING PARAGRAPH (f) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (f) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MINNESOTA**

1. **Notice of Termination.** The following statement is added to Item 17:

With respect to licenses governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, 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 agreements.

2. **Choice of Forum and Law.** The following statement is added to the cover page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. **General Release.** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

4. **Waiver of Right to Jury Trial or Termination Penalties:** The following statement is added to Item 17:

Minnesota Rule 2860.4400J, among other things, prohibits us from requiring you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes; provided, that this part will not bar an exclusive arbitration clause.

**ADDENDUM TO THE TEN SPOT DEVELOPMENT AGREEMENT  
REQUIRED FOR MINNESOTA DEVELOPERS**

This Addendum to THE TEN SPOT Development Agreement dated \_\_\_\_\_ (“**Development Agreement**”) is entered into by and between **The Ten Spot Ltd.**, a Delaware limited liability company (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [insert type of organization and delete these brackets] formed in \_\_\_\_\_ [insert state and delete these brackets] (“**you**”, “**your**” or “**Developer**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Minnesota; **(B)** Developer is a resident of the State of Minnesota; **(C)** part or all of any Development Area is located in the State of Minnesota; and/or **(D)** a Beauty Bar will be located or operated in the State of Minnesota.
2. The following sentence is added to the end of Section 7:  
  
With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5, which require, except in certain 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 agreements.
3. The following sentence is added to the end of Section 9:  
  
Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
5. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.
6. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**DEVELOPER:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Developer is one or more individuals:**

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

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



**ADDENDUM TO THE TEN SPOT FRANCHISE AGREEMENT  
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to THE TEN SPOT Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) is entered into by and between **The Ten Spot Ltd. , a Delaware limited liability company** (“we”, “us”, “our” or “Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ [insert type of organization and delete these brackets] formed in \_\_\_\_\_ [insert state and delete these brackets] (“you”, “your” or “Franchisee”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Franchisee was made in the State of Minnesota; **(B)** Franchisee is a resident of the State of Minnesota; and/or **(C)** a Beauty Bar will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Sections 4.02(g) and 18.02(c)(iii):

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. The following sentence is added to the end of Section 16

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5, which requires, except in certain cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of franchise agreements.

4. The following sentence is added to the end of Section 21.03:

You may not consent to our obtaining injunctive relief. We may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

5. The following sentences are added to the end of Sections 21.04:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

6. The following sentence is added to the end of Section 21.07:

Minnesota Statute § 80C.17, Subdivision 5, provides that no action may be commenced pursuant to that Section more than three years after the cause of action accrues.

7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

9. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**FRANCHISEE:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Franchisee is one or more individuals:**

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

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

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF NEW YORK**

1. **State Cover Page.** 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, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. 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. **Item 3, Additional Disclosure.** The following is added to 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. **Item 4, Additional Disclosure.** The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or 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. **Item 5: Initial Fees.** 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. **Item 7: Renewal, Termination, Transfer and Dispute Resolution**

A. 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.

B. 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.

C. 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.

D. 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.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures.

**ADDENDUM TO THE TEN SPOT DEVELOPMENT AGREEMENT  
REQUIRED FOR NEW YORK DEVELOPERS**

This Addendum to THE TEN SPOT Development Agreement dated \_\_\_\_\_ (“**Development Agreement**”) is entered into by and between **The Ten Spot Ltd.**, a Delaware limited liability company (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [*insert type of organization and delete these brackets*] formed in \_\_\_\_\_ [*insert state and delete these brackets*] (“**you**”, “**your**” or “**Developer**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of New York; **(B)** you are a resident of the State of New York; and/or **(C)** part or all of the Development Area is located in the State of New York.

2. Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 - 695 may not be enforceable.

3. The following sentence is added to Section 8:

We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

4. The following sentence is added to the end of Section 9:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

5. The following sentence is added to the end of Section 9:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

7. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

8. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**DEVELOPER:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Developer is one or more individuals:**

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

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



**ADDENDUM TO THE TEN SPOT FRANCHISE AGREEMENT  
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to THE TEN SPOT Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) is entered into by and between **The Ten Spot Ltd.**, a Delaware limited liability company (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [insert type of organization and delete these brackets] formed in \_\_\_\_\_ [insert state and delete these brackets] (“**you**”, “**your**” or “**Franchisee**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of New York; **(B)** you are a resident of the State of New York; and/or **(C)** the Beauty Bar will be located in the State of New York.

2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.

3. The following sentence is added to the end of Sections 4.02(g) and 18.02(c)(iii):

Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

4. The following sentence is added to Section 18.01:

We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.

5. The following sentence is added to the end of Section 21.01:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

6. The following sentence is added to the end of Sections 21.03:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

9. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**FRANCHISEE:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Franchisee is one or more individuals:**

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

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

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURE  
REQUIRED BY THE STATE OF RHODE ISLAND**

**Item 17, Additional Disclosure.** The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Law are met independently without reference to this Additional Disclosure.

**ADDENDUM TO THE TEN SPOT DEVELOPMENT AGREEMENT  
REQUIRED FOR RHODE ISLAND DEVELOPERS**

This Addendum to THE TEN SPOT Development Agreement dated \_\_\_\_\_ (“**Development Agreement**”) is entered into by and between **The Ten Spot Ltd.**, a Delaware limited liability company (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [*insert type of organization and delete these brackets*] formed in \_\_\_\_\_ [*insert state and delete these brackets*] (“**you**”, “**your**” or “**Developer**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of North Dakota; **(B)** you are a resident of the State of Rhode Island; and/or **(C)** part or all of the Development Area is located in the State of Rhode Island.
2. The following language is added to Sections 11 and 15:  
  
Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
4. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

[Signature page follows.]

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**DEVELOPER:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Developer is one or more individuals:**

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

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

**ADDENDUM TO THE TEN SPOT FRANCHISE AGREEMENT  
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to THE TEN SPOT Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) is entered into by and between **The Ten Spot Ltd.**, a Delaware limited liability company (“**we**”, “**us**”, “**our**” or “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ [insert type of organization and delete these brackets] formed in \_\_\_\_\_ [insert state and delete these brackets] (“**you**”, “**your**” or “**Franchisee**”) as of the Effective Date (which is the date indicated on the signature page of this Addendum).

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Rhode Island; **(B)** you are a resident of the State of Rhode Island; and/or **(C)** the Beauty Bar will be located in the State of Rhode Island.
2. The following language is added to Sections 20.01 and 20.04:  
  
Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
5. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

[Signature page follows.]

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Addendum as of the Effective Date identified below.

**THE TEN SPOT LTD.**

**FRANCHISEE:**

**If a corporation, partnership, or limited liability company, print name of business entity on the line below:**

\_\_\_\_\_

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

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

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

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**If Franchisee is one or more individuals:**

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

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

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the Virginia Retail Franchising Act, the Franchise Disclosure Document for The Ten Spot Ltd. for use in the Commonwealth of Virginia shall be amended to include the following:

**1. Termination, Item 17.** The following is added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

This Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently, without reference to this Additional Disclosure.



**EXHIBIT J TO  
FRANCHISE DISCLOSURE DOCUMENT  
FRANCHISEE DISCLOSURE QUESTIONNAIRE**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE\***

As you know, The Ten Spot Ltd. (“we,” “us” or “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a THE TEN SPOT franchised business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

Yes \_\_\_\_ No \_\_\_\_

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes \_\_\_\_ No \_\_\_\_

If “No,” what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

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3. Did we make any material changes to the form of Franchise Agreement that was included in the Franchise Disclosure Document you received from us, which were not negotiated with you?

Yes \_\_\_\_ No \_\_\_\_

If “Yes,” did you receive a copy of the final Franchise Agreement at least seven (7) calendar days prior to signing it?

Yes \_\_\_\_ No \_\_\_\_

4. Have you received and personally reviewed the Franchise Disclosure Document we provided to you?

Yes \_\_\_\_ No \_\_\_\_

5. Do you understand all of the information contained in the Franchise Disclosure Document?

Yes \_\_\_\_ No \_\_\_\_

If "No," what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary)

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6. Did you receive a copy of the Franchise Disclosure Document at least fourteen (14) calendar days prior to signing any agreement with us or paying us any money or other consideration?

Yes\_\_\_\_ No\_\_\_\_

7. Have you discussed the benefits and risks of operating a THE TEN SPOT franchised business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes\_\_\_\_ No\_\_\_\_

8. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors that are outside of our control?

Yes\_\_\_\_ No\_\_\_\_

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a THE TEN SPOT business operated by us or our franchisees?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and by whom they were made? (Attach additional pages, if necessary)

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10. Has any employee or other person speaking on our behalf made any statement or promise concerning your THE TEN SPOT franchised business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and by whom they were made?  
(Attach additional pages, if necessary)

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11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a THE TEN SPOT franchised business?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and by whom they were made?  
(Attach additional pages, if necessary)

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12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a THE TEN SPOT business will generate?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and by whom they were made?  
(Attach additional pages, if necessary)

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13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a THE TEN SPOT business?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and whom they were made by?  
(Attach additional pages, if necessary)

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14. Were you provided any actual or estimated revenue or sales figures or amounts in connection with any pro forma profit and loss statement that may have been furnished to you by any employee or other person on our behalf?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and whom they were made by?  
(Attach additional pages, if necessary)

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15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and whom they were made by?  
(Attach additional pages, if necessary)

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16. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

Yes\_\_\_\_ No\_\_\_\_

17. Do you understand that nothing in the Franchise Agreement or in our communications with one another is intended to make, or in fact makes, either you or us a general or limited partner, general or special agent, joint venturer, or employee of the other for any purpose, that the Franchise Agreement does not create a fiduciary relationship between you and us, and that we and you are and will be independent contractors during the term of the Franchise Agreement?

Yes\_\_\_\_ No\_\_\_\_

18. Do you understand that you, and not the Franchisor, have the duty and obligation to locate and lease a site for the Franchised Business and that the Franchisor's approval of a site is not an assurance, representation or warranty as to the suitability of the Franchised Business's site or the Franchised Business's profitability or success?

Yes\_\_\_\_ No\_\_\_\_

19. Were you referred to the Franchisor by another individual?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," did that person make any statement or promise concerning your THE TEN SPOT franchised business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

If "Yes," please describe the nature of the statements and by whom they were made? (Attach additional pages, if necessary)

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

\*All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the California Franchise Investment Law or the Maryland Franchise Registration and Disclosure Law.

By signing this Questionnaire, you agree that you understand that your answers are important to us and that we will rely on them, and you are representing that you have responded truthfully to the above questions.

\_\_\_\_\_  
FRANCHISE APPLICANT

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

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

**EXHIBIT K TO  
FRANCHISE DISCLOSURE DOCUMENT  
STATE EFFECTIVE DATES**

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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
Indiana	PENDING
Maryland	PENDING
Michigan	PENDING
Minnesota	PENDING
New York	PENDING
Rhode Island	PENDING
Virginia	PENDING
Wisconsin	PENDING

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



**EXHIBIT L TO  
FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**



