



Modern Halo Franchising, LLC
(Texas Limited Liability Company)
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Franchise Disclosure Document

The franchise being offered is to own and operate a retail location that provides premier head spa and dry bar services to the general public through membership-based programs under the trade name and service mark THE MODERN HALO™ and THE MODERN HALO – HEAD SPA & DRY BAR™ (“Modern Halo™ Head Spa” or “Head Spa”). A Modern Halo™ Head Spa is a serene escape where hair stylists and head spa therapists deliver holistic scalp and treatments, head and neck massages, hair blowouts and styling, and hair product recommendations. Modern Halo™ Head Spas seek to nurture their clients’ well-being with care and luxury and leave them with a radiant halo of confidence.

The total investment necessary to begin the operation of a Modern Halo™ Head Spa is between \$282,575 and \$647,700, which includes between \$66,250 and \$68,775 that must be paid to the franchisor or its affiliates.

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 days before you sign a binding agreement with, or make 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 to you. To discuss the availability of disclosures in different formats, contact Christina Batson at 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058, info@TMHfranchising.com, (281) 682-0410.

The terms of your contract with Modern Halo Franchising, LLC govern your franchise relationship. Do not rely on the franchise disclosure document alone to understand your contract. Read the contracts 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 “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: July 29, 2025

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 out more information:

Question	Where to Find Information
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, such as current and former franchisees. Their names and contact information are in Item 20.
How much will I need to invest?	<ul style="list-style-type: none"> - Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. - Item 7 lists the initial investment to open. - Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 includes financial statements. Review these statements carefully.
Is the franchising system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Modern Halo™ Head Spa in my area?	Item 12 and the "territory" provision in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What is it like to be a Modern Halo™ franchisee?	Item 20. You can contact them to ask them about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure 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 models can change. The franchise agreement may allow the franchisor to change its manual 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 franchise term. Other restrictions are usually also included. 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 to continue operating your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise agreement 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. Your state also may have laws that require special disclosures or amendments to your franchise agreement. To find out if your state has a registration requirement or to contact your state, use the agency information in Exhibit E.

We are not offering franchises in states that require registration, special disclosures, or amendments. If we do in the future, we will add a State-Specific Addenda to this Franchise Disclosure Document and our Franchise Agreement.

Special Risks to Consider About *This* Franchise

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

1. **Short Operating History and Financial Condition**. The franchisor is at an early stage of development and has a limited operating history. This is its first year offering franchises. As reflected in the franchisor's financial statements (see Item 21), the franchisor's financial condition may impact its capacity to deliver services and support. Consequently, this franchise is likely to present a higher investment risk compared to more established franchised systems.
2. **Unregistered Trademark**. The franchisor's principal trademark is owned by its affiliate and is licensed to the franchisor. The franchisor's affiliate has applied for federal registration of this trademark with the United States Patent and Trademark Office ("USPTO"). However, the USPTO has not yet acted on the application.
3. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation and arbitration only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Texas than in your own state.
4. **Mandatory Minimum Payments**. You must make minimum advertising and other payments, regardless of your sales levels. Your inability to make the payments may result in the termination of your franchise and the loss of your investment.
5. **Personal Guarantee and Spousal Liability**. Franchisee and all owners must sign a personal guarantee. Additionally, your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets at risk if your franchise fails.

Certain states may require other risks to be highlighted. We are not offering franchises in states that require registration, special disclosures, or amendments. If we do in the future, we will add a State-Specific Addenda to this Franchise Disclosure Document and our Franchise Agreement, where you can check to see whether your state requires other risks to be highlighted.

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RECEIPT EXECUTION PAGE

ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSOR, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Franchisor,” “Modern Halo Franchising,” “we,” “us,” or “our” means Modern Halo Franchising, LLC. “Franchisee,” “you,” and “your” means: (i) the individual person(s) who buys a license from Modern Halo Franchising, LLC; or (ii) the business entity that buys a license from Modern Halo Franchising, LLC as well as the business entity’s direct and indirect individual owners. If you are a legal entity, your direct and indirect individual owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement and other agreements as described in this Franchise Disclosure Document.

The Franchisor

Modern Halo Franchising, LLC is a Texas Limited Liability Company formed on August 12, 2024. We operate under the names “Modern Halo Franchising,” “The Modern Halo™,” “The Modern Halo—Head Spa & Dry Bar™,” and no other names. Our principal address is 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058. We began offering The Modern Halo—Head Spa & Dry Bar™ franchises in February 2025. We have not previously and do not currently offer area development opportunities.

At our discretion, we sell and award franchises for the right to independently own and operate a retail location that provides premier head spa and dry bar services to the general public (“Head Spa”) using our proprietary system (“Franchise System”) under the trade name and service mark THE MODERN HALO™ and THE MODERN HALO – Head Spa & Dry Bar™ (“Franchised Business”). Our Head Spas are a serene escape where hair stylists and massage therapists deliver holistic scalp and treatments, head and neck massages, hair blowouts and styling, and hair product recommendations, primarily through membership-based programs. Our Head Spas are not full-service hair salons or massage therapy studios; they do not offer haircuts, hair coloring, or whole-body massages.

We currently operate two Head Spas. We have not offered franchises in any other line of business or conducted any other business.

Our agent for process service is Christina Batson, 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058. Our agents for service of process for other states are identified by state in Exhibit E. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. In addition to those listed above, there may be states in which we have appointed an agent for the service of process. Additional agents may also be appointed in some of the states listed.

Parent, Predecessor, and Affiliates

We have no predecessors. Our parent company is Three Scheets Enterprises, LLC (“3S Enterprises”), formerly known as Modern Halo Enterprises, a Texas limited liability company, with its principal place of business at 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058. 3S Enterprises does not offer or sell franchises in any line of business or provide products or services to Modern Halo™ Head Spas. Modern Halo Franchising and its 3 affiliates are subsidiaries of 3S Enterprises.

3S-IP, LLC is a Texas limited liability company with a principal place of business at 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058. 3S-IP owns the intellectual property and trademarks for Modern Halo Franchising, LLC, and has licensed them to us since November 1, 2024.

3S Head Spa I, LLC d/b/a The Modern Halo Katy (3S-I), formerly known as The Modern Halo, LLC and 3S Head Spa II, LLC d/b/a The Modern Halo Memorial (3S-II), formerly known as The Modern Halo II, LLC, are Texas limited liability companies with principal places of business at 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058 and 9778 Katy Freeway, Suite 200, Houston, Texas 77055-6245, respectively. 3S-1 and 3S-2 independently own and operate Modern Halo™ Head Spas.

The Franchise

Modern Halo™ Head Spas are an oasis for relaxation and rejuvenation dedicated to providing premier head spa and blow dry bar services, seeking to nurture their client's well-being with care and luxury and leave them with a radiant halo of confidence. At a scheduled date and time, hair stylists and head spa therapists deliver holistic scalp and hair treatments, head and neck massages, hair blowouts and styling, and hair product recommendations, primarily through membership-based programs. The Head Spas are not full-service hair salons or massage therapy studios; they do not offer haircuts, hair coloring, or whole-body massages.

We will enter into the franchise agreement, attached hereto as Exhibit A, which will grant you the right to independently own and operate a Franchised Business in a designated geographic area ("Territory") under the trade name and service marks THE MODERN HALO™ and THE MODERN HALO – Head Spa & Dry Bar™, and other authorized names and marks ("Proprietary Marks" or "Marks"), using our Franchise System. The Franchise System consists of our prescribed or recommended standards, requirements, specifications, techniques, methods, policies, procedures, instructions, and rules relating to the operation and management of the Franchised Business, as we may amend from time to time ("Brand Standards"), including, but not limited to, proprietary standards and specifications for the membership program, head spa and blowout services, our Proprietary Marks, location demographics, interior and exterior designs, décor, and color schemes for the buildout and construction, certain furniture, fixtures, and equipment, business forms, sales techniques, marketing and advertising, products, certain vendors and software programs.

Our franchise agreement and Brand Standards require your Head Spa to have an Operating Owner, a Manager, a Lead Receptionist, a Lead Stylist, and a Lead Therapist (collectively, "Management Team"). However, one individual can serve in multiple roles so long as they have the appropriate skills and qualifications as defined by the Brand Standards. The Franchise System and Brand Standards may be changed or modified by us throughout your ownership of the Franchised Business.

The Market and Competition

While you will offer services and products to the general public, your target market will be mid-to-middle-class (or higher) consumers of all ages. Our services are not seasonal in nature. While the hair care business, including blow dry bar services, is a well-developed

and highly competitive space, we believe our head spa services occupy an underserved niche market for men and women who seek unparalleled pampering, self-care, transformative experiences in a tranquil environment. Having said that, the head spa market is experiencing growth in the United States, stemming from the concept typically offered in hair salons in Japan. Your Franchised Business will compete with other businesses offering therapeutic massage and blow dry bar services, such as spas, health retreats, resorts, independents, and other chains and franchises offering similar services.

Industry-Specific Regulations

In most states, your Franchised Business will be required to comply with a variety of laws and regulations, including those related to hair salons, spas, health clubs, and/or massage therapy establishments. Some of these laws may require special certifications, licensing, or registration before your Head Spa can begin providing scalp and hair treatments, head and neck massages, and hair blowouts and styling. For instance, some states, counties, and/or municipalities might require your Franchised Business to have a hair salon, spa, health club, or massage therapy establishment license, business license, or permit, and the stylists and head spa therapists providing the services to have a cosmetology, esthetician, and/or massage therapy license issued by a state agency or certification board.

Health and sanitation regulations require that your stylists and head spa therapists maintain their hair care equipment according to specified standards, which includes following proper sanitizing and waste disposal procedures. Environmental laws may regulate the way in which certain solutions are used, stored, and disposed of in the process of providing services to your customers. Building codes may require special ventilation in your Head Spa.

Your Franchised Business may require zoning or land-use approvals, Sunday sale permits, sales and use tax permits, special tax stamps, fire department permits, health permits, alarm permits, county occupational permits, retail sales licenses, and wastewater discharge permits. You also must comply with all applicable laws, rules, and orders of any governmental authority concerning any pandemic or public health crisis, which may require businesses in the hair styling industry to materially modify, limit, or cease operations for an indeterminate period. There may be other laws, rules, or regulations that affect your Head Spa, including the Americans with Disabilities Act (“ADA”), the Occupational Safety and Health Administration (“OSHA”), and the Environmental Protection Agency (“EPA”) considerations.

You must also comply with applicable employment laws, including federal and state discrimination laws, minimum wage, and other laws and regulations that apply to businesses generally. If your Head Spa will offer alcoholic beverages and/or food, you may be required to obtain a liquor or beer and wine license and/or other licenses and permits related to food service. Zoning regulations also may prohibit or restrict your sale or dissemination of alcoholic beverages. You are not required, however, to offer or sell alcoholic beverages and/or food at your Head Spa. We do not offer opinions or assistance with local licensing issues; you are encouraged to retain local counsel to advise and assist you with these matters.

You must comply with all payment card infrastructure (“PCI”) industry and government security standards and requirements designed to protect cardholder data. PCI standards

apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations that store, process, or transmit cardholder data.

You must use our form membership agreement, but it is your responsibility to seek local counsel to ensure it complies with all laws applicable to your Franchised Business. You must submit any changes to our form membership agreement to us for approval, and if approved, we will provide you with a revised membership agreement for use by your Franchised Business.

You are responsible for knowing and complying with all laws and licensing requirements related to the operation of your Franchised Business. You are responsible for obtaining all required licenses and permits and ensuring that your employees and others who provide services and products to consumers on your behalf have all required licenses and permits. We strongly recommend that you consult with your own counsel concerning all applicable licenses, laws, and regulations before you decide to purchase a franchise. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

ITEM 2 BUSINESS EXPERIENCE

Executive Leadership Team and Managing Members

Christina Batson

Co-founder, Managing Member, and Chief Executive Officer

Christina Batson is a co-founder and managing member and has served as the Chief Executive Officer of Modern Halo Franchising, LLC since August 2024 at its principal office located in Katy, Texas. She has also been a co-founder and managing member of 3S Head Spa I d/b/a Modern Halo Katy at its principal location in Katy, Texas, since May 2023, as well as of 3S Head Spa II, LLC d/b/a Modern Halo Memorial at its principal location in Houston, Texas since June 2024. She has had a Bachelor of Science in Nursing since 2010 and a Master of Science in Nursing since 2017. She was the managing member and Chief Executive Officer of Jubilee Care at Home Health Care Services, LLC, from February 2019 to October 2023 at its principal office in Katy, Texas.

Nicole Brayton

Co-founder, Managing Member, Chief Financial Officer, and Chief Operating Officer

Nicole Brayton is a co-founder and managing member and has served as the Chief Financial Officer and Chief Operating Officer of Modern Halo Franchising, LLC since August 2024 at its principal office located in Katy, Texas. She has also been a co-founder and managing member of 3S Head Spa I d/b/a Modern Halo Katy at its principal location in Katy, Texas, since May 2023, as well as of 3S Head Spa II, LLC d/b/a Modern Halo Memorial at its principal location in Houston, Texas since June 2024. Since 2020, she also owns Scheet Happens Business Solutions at its principal office located in Katy, Texas. Prior to that, Nicole was a mathematics and science teacher as well as a principal.

Adria Scheet
Co-founder, Managing Member, and Chief Experience Officer

Adria Scheet is a co-founder and managing member and has also served as the Chief Experience Officer of Modern Halo Franchising, LLC since August 2024. She has also been a co-founder and managing member of 3S Head Spa I d/b/a Modern Halo Katy at its principal location in Katy, Texas, since May 2023, as well as of 3S Head Spa II, LLC d/b/a Modern Halo Memorial at its principal location in Houston, Texas since June 2024. She has been a licensed cosmetologist since 1996, was a self-employed hair stylist at Sola Salon from 2017 – 2023 in Katy, Texas, and has been the owner of The Modern Stylist hair salon since 2023 at its principal location in Katy, Texas.

ITEM 3
LITIGATION

There is no pending litigation that is required to be disclosed in Item 3.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in Item 4.

ITEM 5
INITIAL FEES

Initial Franchising Fee

You must pay us the following initial franchise fee (“Initial Franchise Fee”) for each Franchised Business outlet purchased at the same time:

Number of Spa Outlets	Initial Franchise Fee
1	\$ 50,000
2	\$ 45,000
3 or more	\$ 40,000

All Initial Franchise Fees are uniform and due at the time of signing of each franchise agreement, unless a different time period is prescribed by law in your state. To qualify for a discounted Initial Franchise Fee on the second and subsequent Franchised Business outlet, the Franchise Agreements and Initial Franchise Fees must be executed and paid at the same time. The Initial Franchise Fee will be paid by means of a cashier’s check, money order, or wire transfer. The Initial Franchise Fee will be deemed to have been fully earned by us and non-refundable when paid.

We offer a discount of \$5,000 for the first Franchised Business outlet purchased by active-duty military, honorably discharged veterans of the United States Armed Forces, law enforcement, health care providers, emergency service personnel, and members of a minority race or ethnicity (Black, Latino, Asian, Pacific Islander, or American Indian/Alaskan

Native) who will hold at least a 51% ownership interest in the Franchised Business to be developed and operated under a Franchise Agreement. We reserve the absolute right to determine whether you qualify for this discount, and we may deny this discount or modify this discount at any time for any reason. Only one discount will apply regardless of the number of categories that may apply; discounts cannot be combined with any other discounts offered above.

This is our first year of franchising The Modern Halo-Head Spa & Dry Bar[®]. Therefore, we did not collect any Initial Franchise Fees in the last fiscal year. We reserve the right to waive or reduce the Initial Franchise Fee for other franchisees.

Head Spa Startup Kit

When you sign a lease or purchase agreement for your Head Spa location, you must purchase from us a package of shampoo tables and initial inventory back bar soaps (shampoo, conditioner, leave-in conditioner, hair oil, and eye masks) necessary for the opening of your Franchised Business (“Head Spa Startup Kit”). The Head Spa Startup Kit fee will vary depending on the size of your Head Spa location and is estimated to range between \$9,475 - \$12,000 (“Head Spa Startup Kit Fee”). The Head Spa Startup Kit Fee must be paid to us by cashier’s check or wire transfer within fifteen (15) days of you signing the lease or purchase agreement for the Head Spa location. The Head Spa Startup Kit Fee will be deemed fully earned by us and is non-refundable under any circumstance. The Head Spa Startup Kit will be delivered to your Head Spa at a designated time during the build-out process prior to the opening of your Franchised Business. You will be responsible for additional furniture, equipment, inventory, and other expenses necessary to construct and open the Head Spa.

Technology Setup Fee and Monthly Technology Fee

Upon the execution of the Franchise Agreement, you must pay us a non-refundable, non-recurring technology setup fee of \$1,110.00 for the initial setup of the Franchised Business’s webpage within our website (“Local Page”) and up to 5 email addresses with the Franchise System’s domains (“Local Email”) (“Technology Setup Fee”). Additionally, you must pay us a non-refundable, monthly, ongoing Technology fee, which is currently \$280 per month, for the ongoing maintenance of your Local Page and Local Email (“Monthly Technology Fee”).

Potential Training Fees

We provide Onboarding Training to your Management Team at no cost. If you elect to have additional management-level staff attend one or more elements of our Onboarding Training, you must pay us a per-person fee at our then-current rate (currently, \$500 per person). Additionally, if we determine that any member of your Management Team fails to complete the Onboarding Training satisfactorily, then we may require that member of your Management Team to attend Enhanced Training, and you must pay us a per-person fee at our then-current rate (currently \$500 per day). Such fees are due at the time they are incurred and are non-refundable. You will be responsible for all of your additional costs and expenses, including, but not limited to, travel, lodging, meals, wages, and related costs.

Financial Assurances

Some states have imposed a financial assurance requirement. However, we are not offering franchises in the states that require financial assurances, and we are not providing any financial assurances.

ITEM 6 OTHER FEES

Type of Fee ¹	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Revenues ²	8 th day of each month	The Royalty Fee is based on Gross Revenue from the previous month. It is an ongoing payment that allows you to use the Proprietary Marks and other intellectual property of the System and pays for ongoing support and assistance from us.
Brand Fund Contribution	Years 1 and 2 (starting 61 st day after you open): 1% of Gross Revenues ² Years 3 and 4: 2% of Gross Revenues ² Year 5 through 10: 3% of Gross Revenues ²	8 th day of each month	The Brand Fund is based on Gross Revenue from the previous month. It is an ongoing payment for our national, regional, and local marketing, advertising, promotion, public relations, and other programs to promote and protect the brand.
Minimum Local Advertising Spend	The greater of \$1,500/month or 1% of Gross Revenue	Monthly	Commencing on the 61 st day after your Franchised Business opens, you must meet the Minimum Local Advertising Spend. Upon request, you must provide us with documentation showing that you have met the Minimum Local Advertising Spend. If you fail to spend the required amount, we have the right to collect and contribute any deficiency to the Brand Fund. We reserve the right to increase this fee by up to 3% of your Gross Revenue with 60 days written notice.
Shampoo Tables and Inventory	Varies according to the amount purchased	As incurred	After you purchase the Head Spa Startup Kit, you will be required to purchase replacement shampoo tables, as

			needed for refreshes/upgrades, and all back bar soaps (shampoo, conditioner, leave-in conditioner, hair oil, and eye masks) from us on a continuing basis.
Technology Fee	Currently, \$280	Monthly	<p>You will pay us an ongoing non-refundable technology fee to maintain the website, your local page on the website, and your email accounts (up to 5 accounts).</p> <p>This monthly fee may increase from time to time. We may change or update required technology, including software, and we reserve the right to consolidate, control, and manage your social media, web directories, digital media, and other platforms. If we do, you must install, use, and participate in any required changes. We may increase the Technology fee for such software, application, or digital media licenses, subscriptions or other costs as well as costs to develop and manage such technology.</p>
Advertising Cooperatives	As established (none are currently in existence)	As established	We reserve the right to designate local or regional advertising markets and form advertising cooperatives in which you may be required to participate. Members of the advertising cooperative will be responsible for determining the rules, including, amount of contribution from each member, approved by us. Contributions made to the advertising cooperative will be credited toward

			your Minimum Local Advertising Spend.
Conference Fee	The then-current registration fee (currently \$500 per person), plus cost and expenses, including but not limited to travel, lodging, meals, wages, and related costs.	Annually, prior to the Conference	If we hold a conference with all franchisees, your Operating Owner, at minimum, must attend at a location we designate and pay the non-refundable Conference Fee, which is due even if you do not attend the conference. This fee is payable to us to help defray the cost of the conference. We may hold a conference each year, and the fee may increase each year.
Onsite Assistance Extension Fee	The then-current rate (currently, \$500 per day), plus cost and expenses, including but not limited to travel, lodging, meals, wages, and related costs.	As needed, prior to additional Onsite Training	We provide a representative to assist you at your Franchised Business for a maximum of 5 days prior to and immediately following your opening at no cost. If you request additional onsite assistance, then you must pay an Onsite Assistance Extension Fee. This fee may increase each year.
Additional Staff Training Fee	The then-current rate (currently, \$500 per person), plus cost and expenses, including but not limited to travel, lodging, meals, wages, and related costs.	As incurred	We provide Onboarding Training to your Management Team at no cost. If you elect to have additional management-level staff attend one or more elements of our Onboarding Training, you must pay a per-person fee. This fee may increase each year.
Enhanced Training Fee	The then-current rate (currently, \$500 per day), plus cost and expenses, including but not limited to travel, lodging, meals, wages, and related costs.	As incurred	If we determine that any member of your Management Team fails to complete Onboarding Training or any other required training satisfactorily or that you are not complying with Brand Standards, we may require you or other members of your Management Team to attend Enhanced

			Training. This fee may increase each year.
Alternative Required Items and Supplier Fee	Varies according to administrative expenses in evaluating the request and its complexity	As Incurred	You may request modification of the Brand Standards relating to the type, brand, or model of required items (e.g., furniture, fixtures, supplies, inventory, equipment) and/or approved suppliers. However, we may require you to pay a reasonable fee to compensate us for the time and resources required to evaluate the modification.
Accounting and Record Systems Fees	As established (none is currently required)	As established	We reserve the right to require you to use certain accounting and recordkeeping systems, which may require you to purchase and lease necessary computer hardware and software. If we do, you will be responsible for all fees charged by us for such equipment and software and the maintenance and management of those systems.
Renewal Fee	25% of the then-current Initial Franchise Fee, or \$10,000 if we are no longer offering franchises for sale	Upon Renewal	You may renew the franchise agreement for an additional ten-year term upon the payment of this fee, execution of a new Franchise Agreement, and meeting other conditions specified in the Franchise Agreement.
Month-to-Month License Fee	An additional 1% Royalty Fee and an additional 1% Brand Fund Contribution over the then-current Royalty Fee and Brand Fund Contribution.	Upon Expiration of the Term, if you continue to operate on a Month-to-Month License	If you do not sign a successor franchise agreement at the expiration of your term and continue to accept the benefits of the Franchise Agreement, you may continue to operate on a Month-to-Month License for a fee.
Transfer Fee	25% of the then-current Initial Franchise Fee and an amount equal to our expenses actually incurred with respect to the	\$1,000 non-refundable deposit upon submitting a	Upon meeting certain conditions and with our written consent, you may Transfer your Franchised

	granting of its approval, including, but not limited to, all of our legal costs with respect to the preparation and execution of the Transfer Agreement and the then current form of the Franchise Agreement and corresponding documents, and any brokerage commissions, finder's fees, placement fees, and other similar charges, if any.	Notice of Intent to Transfer The remainder must be paid at the closing of the transaction	Business. This fee is payable in connection with the Transfer. For a transfer to an entity that you wholly own and control, you will pay a reduced fee of \$1,500 plus our expenses actually incurred.
Transfer Onboarding Training Fee	\$2,000	Upon closing of the Transfer transaction	If your Franchised Business is Transferred, the transferee/new owner and certain members of the Management Team must attend and satisfactorily complete our Onboarding Training.
Transfer Onsite Assistance Fee	The then-current rate (currently, \$500 per day), plus cost and expenses, including but not limited to travel, lodging, meals, wages, and related costs.	As incurred	We do not provide onsite assistance to a transferee/new owner when the Franchised Business is Transferred. If the transferee/new owner requests onsite assistance once the Transfer is finalized, then the transferee/new owner must pay a Resale Onsite Assistance Fee.
Relocation Fee	\$10,000	No later than 60 days before opening the Head Spa at the new location	Under certain conditions, you may relocate the Franchised Business at your expense upon our written approval. If we approve your relocation, you must pay the Relocation Fee.
Drawings and Specifications	Actual Costs	As incurred	If we incur costs for plans, designs, drawings, and specifications specific to your Franchised Business, commissions, or broker's fees to find or secure your Approved Site or a transferee, or costs and expenses pertaining to the construction and equipping of your Approved Site, you will be responsible for reimbursing us such costs.

Unauthorized Advertising Fee	\$500 per incident	As incurred	If your advertising does not comply with the Franchise Agreement or our Brand Standards, including your failure to obtain our prior approval of your advertising, you are responsible for paying an Unauthorized Advertising Fee.
Dishonored Check or Insufficient Funds Fee	Any penalties, fines, or other similar expenses charged by your financial institution for a dishonored check or insufficient funds	As incurred	If your bank account has insufficient funds for fees owed to us, you will be responsible for all penalties, fines, or other similar expenses charged by your bank.
Late Payments Interest	The greater of 1.5% per month (18% per year), or the highest commercial rate permitted by law	Upon receipt of the invoice	If any payment is overdue to us, you will pay interest in addition to overdue amounts.
Understated Financial Information Costs	Actual costs and expenses of audit and inspection, plus any understated amounts, any related accounting and legal expenses, and the costs of any subsequent audits or inspections	Within 30 days of the inspection or audit report	You will be responsible for paying any amounts due to us as a result of any Gross Revenues that you understate. Additionally, if you have failed to provide any required reporting, your records are insufficient to determine Gross Revenue properly, or you understate Gross Revenue by 5% or more, you must promptly pay the amounts due as well as all costs we incur in the audit, inspection, or subsequent audits and inspections, as we deem necessary in our sole discretion.
Non-Compliance / Default Fee	\$250 or \$500 for each instance of noncompliance, depending on the type of default	Upon default	If you are noncompliant with your Franchise Agreement, your default fee will be \$500 or \$250 per incident, depending on the severity of the default
Management Fee	Up to \$500 per day, plus direct out-of-pocket expenses, including travel, lodging, meals, and professional fees incurred by us.	As incurred	We have the right, but not the obligation, to assume management of your Franchised Business for up to 120 days at a time under certain circumstances such as

			abandonment, an uncured default, or termination. If we assume management, you will pay us a Management fee.
Liquidated Damages	The average monthly Royalty Fee and Brand Fund Contribution Fee due and owing to us for the period preceding the effective date of termination multiplied by (a) 36 or (b) the number of months remaining in the Franchise Agreement had it not been terminated, but in no case shall such damages be less than \$30,000	Upon termination	If we terminate the Franchise Agreement due to your default or if you terminate the franchise agreement without cause prior to the end of the term, you will pay us liquidated damages.
Defense Costs and Indemnification	All losses, liabilities, damages, and costs and expenses, including professional fees and court costs	Upon assertion of a claim through resolution	You must defend, indemnify, and hold us harmless for any expenses or losses we or our representatives incur related in any way to your Franchised Business.
Reimbursement	Amounts we expend on your behalf to cover payments due from you to third parties	As incurred	If we expend any funds on your behalf, such as resolving a customer complaint or supplier issues, you will be responsible for reimbursing us for those costs.
De-Identification	All amounts incurred by us related to de-identification	As incurred	If, upon termination, you fail or refuse to de-identify the Franchised Business, we have the right to de-identify the Approved Site and any other Identifiers, and you will be responsible for reimbursing us for such costs.

Notes:

1. **Fees.** Except as otherwise stated in this Item, all fees 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 noted. Your costs for certain items listed above may differ depending on the suppliers used, local costs, the year in which the franchise agreement is signed, and other factors. We will auto-debit your bank account through an Electronic Funds Transfer Authorization (“EFT”) for all fees you are required to pay us or our affiliates under the Franchise Agreement. You are required to complete the EFT Authorization Form (attached as Schedule 4 to the Franchise Agreement). Your EFT Authorization will remain in effect throughout the term of your Franchise Agreement and any successor terms. You must immediately notify us if there are any changes to the EFT Authorization Form. You must ensure that funds

are available in your bank account to cover our withdrawals. Some banks charge fees for us to debit your account through EFT; you must pay those fees. We may require alternative payment methods or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees may increase over the term of the Franchise Agreement, as specified in the notes.

- Gross Revenue.** "Gross Revenue" means the aggregate of all revenues, sales, and other income of Franchisee from whatever source derived, regardless of whether collected by Franchisee or collected in the form of a check, cash, credit, charge, account, barter, exchange, or otherwise, arising out of, in connection with or related to the Franchised Business, including, without limitation, (a) income from the sale of all Services and Products sold at, from, or through the Franchised Business, whether or not sold or performed at the Head Spa that Franchisee operates, including the full redemption value of any pre-paid Services or Products, such as membership credits, gift cards, and gift certificates (fees retained by or paid to third-party sellers of gift cards, gift certificates, or coupons are not excluded from this calculation); and (b) all proceeds from any business interruption insurance.

The following are excluded from "Gross Revenue" calculations: (i) all refunds made in good faith to a customer (except reductions for credit card user fees, returned checks, and reserves for bad credit or doubtful accounts will be included in Gross Revenue); (ii) any sales, use, retail sales, and equivalent taxes which are collected by Franchisee for or on behalf of any governmental or other public body and actually remitted to such body; and (iii) any tips received by Franchisee's staff (e.g., hair stylists and head spa therapists). Franchisor reserves the right to institute policies in the Brand Standards Manual or otherwise in writing from time to time.

Gross Revenues shall be deemed received by Franchisee at the time the Services or Products from which they were derived are delivered or rendered or at the time collection takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer's personal check) actually has been received by Franchisee. Gross Revenues consisting of Services and Product sales shall be valued at the retail price applicable and in effect at the time they are provided unless Franchisor approves discounts.

You must report Gross Revenue to us on the fifth (5th) day of each month. If any Gross Revenue Report is overdue for any reporting period, then we may debit your bank account one hundred ten percent (110%) of the last applicable payments that we debited. If the amount that we debit from your bank account is less than the amount that you actually owe (once we determine your true and correct Gross Revenues), we will debit your bank account for the balance on any day we specify. If the amount that we debited from your bank account is greater than the amount you actually owed, we will credit the excess against the amount we would otherwise debit on the next payment due date.

ITEM 7
ESTIMATED INITIAL INVESTMENT
Your Estimated Initial Investment

Expenditure Type	Amount		Payment Method	Due Date	Payment Recipient
	Minimum	Maximum			
Franchise Fee	\$50,000	\$50,000	Lump Sum	Franchise Agreement Execution	Us
Technology Setup Fee ¹	\$1,110	\$1,100	Lump Sum	Franchise Agreement Execution	Us
Monthly Technology Fee ²	\$3,360	\$3,360	As Incurred	8th Day of Each Month after Effective Date	Us
Head Spa Startup Kit ³	\$9,475	\$12,000	Lump Sum	Lease/Purchase Agreement Execution	Us
Utility and Lease Deposit ⁴	\$6,000	\$8,000	Lump Sum	Lease/Purchase Agreement Execution	Third Parties
Architecture, Design, Permits, and Leasehold Improvements ⁵	\$100,000	\$350,000	As Incurred	Prior to Opening	Third Parties
Furniture, Fixtures, and Equipment ⁶	\$6,000	\$9,000	As Incurred	Prior to Opening	Third Parties
Other Initial Inventory ⁷	\$7,000	\$9,000	As Incurred	Prior to Opening	Third Parties
Exterior and Interior Signage ⁸	\$14,000	\$22,000	As Incurred	Prior to Opening	Third Parties
Technology Hardware and Software ⁹	\$6,700	\$9,000	As Incurred	Prior to Opening	Third Parties
Licenses and Business Permits ¹⁰	\$1,500	\$5,000	As Incurred	Prior to Opening	Third Parties
Insurance ¹¹	\$7,500	\$13,000	As Incurred	Prior to Opening	Third Parties
Onboarding Training Expenses ¹²	\$2,000	\$3,500	As Incurred	Prior to and at Opening	Third Parties
Grand Opening Advertising ¹³	\$5,000	\$15,000	As Incurred	60 Days Prior and 60 Days Following Opening	Third Parties
Professional Fees ¹⁴	\$7,000	\$10,000	As Incurred	Prior to Opening	Third Parties
Additional Funds – 3 Months ¹⁵	\$50,500	\$128,000	As Incurred	As Incurred for 3-Months After Opening	Us and Third Parties
Total Estimated Initial Investment	\$282,575	\$647,700			

Notes:

These are projected initial expenses based on our best estimate of the costs you may incur in establishing and operating your Franchised Business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Franchised Business. We relied on the experience of our Affiliates in operating company-owned outlets similar to the franchise offered. You must bear any deviation or escalation in costs from the estimates we have given. You should review these figures carefully with a business advisor and other professionals before making any decision to purchase the Franchised Business.

We do not offer direct or indirect financing for these items. All expenditures paid to us, or our affiliates, are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. **Technology Setup Fee.** Upon execution of the Franchise Agreement, you must pay us a non-refundable, non-recurring Technology Setup Fee to set up the required operations software and other technologies, including the point-of-sale system, the initial setup of your local page on our website, and up to 5 emails with our domain extensions.
2. **Monthly Technology Fee.** Beginning the 1st month after execution of the Franchise Agreement, you must pay us a non-refundable Monthly Technology Fee of \$280 per month for the ongoing maintenance of the Local Page and Local Email. This estimate assumes that you open your Franchised Business in 12 months and accounts for 12 Monthly Technology Fee payments to us.
3. **Head Spa Startup Kit.** Within 15 days of signing your lease or purchase agreement for the Head Spa, you must purchase from us a package of at least 9 shampoo tables and initial inventory back bar soaps (shampoo, conditioner, leave-in conditioner, hair oil, and eye masks) necessary for the opening of the Franchisee's Franchised Business ("Head Spa Startup Kit"). The Head Spa Startup Kit Fee will vary depending on the size of your Head Spa.
4. **Utility and Security Deposits.** This estimate assumes a payment of your 1st month rent to your landlord. This estimate does not include any other security deposits your landlord by require or deposits required by your telecommunications services company or other public utilities company.
5. **Architecture, Design, Permits, and Lease Improvements.** This estimate is *gross* of a tenant improvement allowance. The Head Spa must be built according to our Brand Standards. Building and construction costs will vary substantially depending on the pre-existing condition of the premises, the size of the premises, local construction and labor costs, the state, city, or area in which your Head Spa is located, and the extent and quality of improvements desired by you over and above our minimum requirements. This estimate includes the costs of architects/engineers, permits, construction costs, lighting, millwork, and flooring. This estimate is based on the cost of adapting our typical architectural and design plans to a facility containing approximately 1,200 square feet. This estimate does not reflect the costs of unimproved land and the construction of a free-standing location, which would also result in a significantly greater initial investment. Many landlords provide a tenant improvement allowance, which is a negotiated sum a landlord may be willing to spend to customize the leased space for the needs of the tenant. A tenant improvement allowance will reduce your gross lease improvement costs. We estimate that tenant improvement allowances typically range from \$0 - \$120,000; however, these allowances may vary by your location and economic factors. If offered, the range of the tenant improvement allowance may vary depending on the leased space. You should investigate all the costs for architecture, design, permits, and lease improvements in your area and whether a tenant improvement allowance is offered by landlords in your area.
6. **Furniture, Fixtures, and Equipment.** This estimate includes tables, appliances (washer and dryer), mirrors, storage bins, interior neon signs, and a reception desk and chair. These costs may vary depending on your area and vendor.
7. **Other Initial Inventory.** This estimate is based on our minimum requirements for head spa and dry bar inventory, such as carts, table warmers, linens and pillows, bottles for shampoo, conditioner, and oil, hot stones, robes, scalp massages, facial steamers, blow dryers, flat irons, curling irons, brushes,

combs, clips, hair accessories, rugs, and office supplies. Prices may vary based on your location and vendor.

8. **Exterior and Interior Signage.** This estimate is based on a single exterior sign bearing the Marks, a single interior sign for the reception area being the Marks, and three neon signs with specific sizes, slogans, and color options identified in the Brand Standards Manual. All signs must be submitted to us for our review and approval. The cost of the signs may vary depending on the type, size, and location of the sign, shipping costs, design mock-ups, installation costs, local zoning ordinances, regulations, and landlord restrictions. If you want additional signs, your cost will likely be higher.
9. **Technology Hardware and Software.** You must have access to a cell phone, phone, or communication and appointment system, a computer for operations, and a tablet device. You must also purchase licensed software to perform the following functions from third parties: accounting, payroll, cloud storage, scheduling, timekeeping, and point-of-sale system ("POS"). Currently, our required POS Vendor charges \$1,208 for its startup kit, \$300 for a gift card package, and \$450 per month (you will need to set up the POS system at least 2 months prior to opening). We may elect to obtain copies or licenses of designated software on your behalf, and you must pay us for acquiring such software or licenses, or we may require you to obtain designated software from approved suppliers, which may include our affiliates.
10. **Licenses and Business Permits.** You must obtain licenses and permits required by your city, county, and state to operate your Franchised Business. Certain states may require that you file and post a bond to sell memberships or to be classified as a health spa. It is your responsibility to verify whether or not your city, county, and state requires licenses, permits, or bonds for your Franchised Business.
11. **Insurance.** We require that you have certain insurance policies with minimum coverages. This is an estimate of premiums, which may vary based on your location and insurance carrier. This estimate is based on an annual cost; not financed.
12. **Onboarding Training Expenses.** We currently provide training in Katy or Houston, Texas at our offices and/or company outlets. We also provide some training virtually or onsite at your Franchised Business. Our Onboarding Training is provided at no additional costs for your Operating Owner, Lead Receptionist, Lead Therapist, and Lead Stylist. However, you must pay for travel, lodging, meals, incidental expenses, and salaries for your Management Team that is required to attend in-person training, and this estimate is for those costs. If additional training is necessary or you request the attendance of additional people, we will assess an additional fee.
13. **Grand Opening Advertising.** You must conduct certain advertising, promotion, and public relations activities 60 days prior and 60 days after your Head Spa opens. This includes recruiting initial staff, promoting your initial launch, generating potential customer leads, and increasing appointments for services and membership registration. We will provide you with best practices and review and approve your Grand Opening Advertising Plan and collateral to ensure consistency with our Brand Standards.
14. **Professional Fees.** We highly recommend that you hire a lawyer, accountant, and other professional to advise you on this franchising offering, lease negotiations, and establishing your Franchised Business. These costs may vary depending on your location and the experience of the professionals you hire.
15. **Additional Funds – 3 Months.** This is our estimate of the amount you need to cover your expenses for the initial 3 months of the startup phase of your Franchised Business, excluding amounts that are separately identified in this table. This includes payroll (excluding a draw or salary for you or Operating Owner), 2 months of rent (1st month included in the Utilities and Lease Deposit), Local Advertising Spend, Monthly Technology Fee for 3 months (first 12 months from Franchise Agreement execution to opening are included in the Monthly Technology Fee in Note 2), monthly fees to the required POS Vendor for 3 months after opening (currently \$450 per month), and other operating expenses. Rent is based on an estimate of 1,200 square feet. Your actual costs may vary based on location, size of your Head Spa, the salaries you pay, and the vendors you use. This does not include standard pre-opening expenses, Royalties, Brand Fund Contribution, Grand Opening Advertising, or any costs of loans you assume. This estimate is not offset by any sales generated during the startup phase.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Brand Standards

In accordance with your Franchise Agreement, we have established confidential Brand Standards that you must comply with in the operation of your Franchised Business. The Brand Standards, which will be provided to you electronically, consist of one or more manuals, policies and procedures, guides, and other written material, which we may periodically provide or modify through written communications (including electronic communication).

As further set forth below, our Brand Standards include purchasing or leasing required goods, services, supplies, furniture, fixtures, cabinetry, equipment, interior and exterior signage, inventory, supplies, technology, and insurance (“Required Items”) for your Franchised Business under our specifications and may require you to purchase such items from us or our approved suppliers (“Approved Suppliers”). You must purchase, install, and maintain these Required Items in a manner that meets our aesthetic, quality, and functionality specifications in sufficient quantities to achieve the full potential of your Franchised Business. We will provide you with a list of Required Items and Approved Suppliers in writing as part of the Brand Standards or otherwise. We reserve the right to add or substitute Required Items and/or Approved suppliers at any time as well as require you to purchase products or services from us, with or without notice.

Required Retail Services and Products

You will only be permitted to market, offer, or sell services and products we have authorized franchisees to offer or sell and may only offer such services and products in connection with your Franchised Business. We will provide you with a list of authorized services and products, along with their standards and specifications, as part of the Brand Standards or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

Required Items: Purchased from Us

Our Brand Standards require that you purchase the following required back bar and retail inventory from us: (i) shampoo tables, (ii) shampoo, (iii) conditioner, (iv) and hair health products. These items are initially included in the Head Spa Startup Kit, and you will be required to replace or replenish them, as applicable, by purchasing these items from us.

Required Items: Purchased from Approved Suppliers

Our Brand Standards require that you purchase the following Required Items according to our specifications from Approved Suppliers: (i) furniture, fixtures, and cabinetry; (ii) interior and exterior signage; (iii) the point-of-sale (“POS”) system; (iv) furniture and equipment for each dry bar, head spa table/shampoo bowl; (v) hair styling tools and products (such as dryers, styling irons, and hair spray); (vi) uniforms; (vii) graphic design services; (viii) digital and printed advertising services and materials; (ix) bags and packaging items; (x) stationery; and (xi) gift cards and certificates.

Other Required Specifications: Purchased from Any Supplier

While you may purchase the following Required Items from any supplier, you must follow our required minimum specifications in such purchases as set forth in our Brand Standards: (i) site layout; (ii) color scheme; (iii) quantity and location placement of dry bar, head spa table, sink stations; (iv) business insurance, (v) computer hardware; (vi) sound system(s); (vii) type and volume of music; (viii) certain styling tools (such as brushes, combs); and (ix) ancillary supplies (such as linens, pillows, inventory and supply carts). We reserve the right to require, at any time, that any of these items be purchased from Approved Suppliers, at which time we will provide you with written notice of the change.

Insurance

Within 60 days of executing your lease, you must obtain the types and minimum coverage of the insurance listed in Table 1 below, and you must maintain in full force and effect such insurance throughout the term of your Franchise Agreement (including any renewal or interim periods). Additionally, if any of the policies identified in Table 1 are made on a claims-made form at the time of termination of the Franchise Agreement for any reason, then you must purchase tail insurance coverage, based on the then-current requirements, extending for a period of at least 3 years following the date of the policy's expiration, or the sale, non-renewal, termination, or other closure of your Franchised Business.

You must provide us with a copy of the Certificate of Insurance and a complete copy of the procured Policies within 10 days of issuance, including any renewals and tail insurance.

Table 1: Insurance Required During Franchise Agreement Term

<p><u>Professional Liability Coverage</u></p> <ul style="list-style-type: none">▪ <u>Exposures</u>: Exposures covered by the professional liability policy must include the following: (1) Bodily injury claims arising from professional exposures, including massage, facials, waxing, and chemical peels; and (2) Bodily injury claims arising out of professional services performed by beauticians.▪ <u>Policy Limits</u>: The limits must be at least \$1 million per occurrence and \$3 million in the aggregate.▪ <u>Coverage Features</u>: (1) all employees must be covered whether full or part-time; (2) Franchisor must be named as an additional insured; (3) severability of interests and/or separation of insured provisions must be included in the liability policies and all policies must be primary and non-contributing with any insurance policy carried by Franchisor; and (5) the insurance policy must contain a waiver of all subrogation rights against Franchisor and all successors and assigns.
<p><u>General Liability Coverage</u></p> <ul style="list-style-type: none">▪ <u>Exposures</u>: Exposures covered by the General Liability policy must include the following: (1) Slips and falls; (2) Bodily injury (except for that arising out of professional services); and (3) Personal and advertising injury.▪ <u>Policy Limits</u>: The limits must be at least \$1,000,000 and \$3,000,000 in the aggregate, including a Fire Damage limit of \$100,000, a Medical Expense limit of \$5,000, and Sexual Abuse Liability coverage w/ minimum limits of \$25,000 per occurrence/\$50,000 aggregate. The aggregate limits shall be "Per Location" aggregate limits when multiple franchise locations are insured under one comprehensive policy.

- Coverage Features: (1) coverage must include all products, services, and completed operations; (2) Franchisor must be named as an additional insured; (3) severability of interests and/or separation of insured's provisions must be included in the liability policies and all policies must be primary and non-contributing with any insurance policy carried by Franchisor; and (5) the insurance policy must contain a waiver of all subrogation rights against Franchisor and all successors and assigns.

Property Coverage

- Exposures: Exposures covered by the property policy must include the following, as well as adhering to what is consistent with the landlord's requirements: (1) Replacement cost coverage for all real and personal property or Real property is the building, if it is owned or rented and coverage is required by lease; (2) Personal property must include contents including furniture, fixtures and equipment as well as tenant improvements and betterments; and Business income for the financial loss sustained due to a property loss from a covered peril.
- Coverage Features: (1) policies should be written on no more than an 80% co-insurance basis, and (2) replacement cost coverage will require submission of building construction and updates.

Employment Practices Liability ("EPLI")

- Exposures: Exposures covered by the EPLI policy must include the following: (1) Discrimination (due to gender/race/religion/orientation); (2) Allegation of inappropriate professional behavior to a client or third party such as harassment and refusal to treat; (3) Sexual harassment; (4) Wrongful termination or a retaliation accusation in the case of layoffs or wrongful termination; and (5) Family Medical Leave Act ("FMLA") violations and inadequacy in procedures of evaluation, reviews, and discipline.
- Policy Limits: The limits must be at minimum \$500,000 per occurrence/aggregate limit. The aggregate limits shall be "per location " when multiple franchise locations are insured under one comprehensive policy.
- Coverage Features: (1) policies may be claims-made coverage; and (2) policies must provide third party coverage.

Automobile Liability Insurance

Automobile Liability Insurance is required and must cover non-owned and hired vehicles with a combined single limit of at least \$1 million.

Cyber Liability Insurance

- Exposures: Exposures covered by the Cyber Liability policy must include the following:
- First-Party Coverage shall include: (1) Business Interruption and Extra Expense; (2) Data Recovery; (3) Cyber-Extortion; (4) Data Breach Response and Crisis Management; and (4) a PCI-DSS Endorsement.
- Third-Party Coverage shall include: (1) Technology and Professional Services; (2) Media; (3) Privacy and Cyber Security; and (4) Privacy Regulatory Defense, Awards, and Fines.
- Limits: (1) First-party Coverage policy limits be at least \$1 million per claim; and (2) Third-Party Coverage limits must be at least \$1 million per claim.

Insurance Required by Law

Franchisee shall obtain any other such insurance coverages or amounts as required by law or other agreements related to the Franchised Business.

Right to Establish Purchasing Cooperatives and Receive Compensation

In the fiscal year that ended December 31, 2024, we derived \$0 in gross revenue from required franchisee purchases or leases and did not receive any rebates, commissions, or other compensation from them. However, we reserve the right to designate ourselves or affiliates as approved suppliers or exclusive suppliers for any Required Item and to receive rebates, commissions, or other compensation.

We may, when appropriate, negotiate purchase arrangements, including price terms, with 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 Franchised Businesses in our system. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment, and services; and (iii) refuse to approve proposals from franchisees to add new suppliers. We do not currently have any purchasing cooperatives, but we reserve the right to create such purchasing cooperatives in the future.

Request to Modify Brand Standards

You may request a modification of the Brand Standards and/or approved suppliers by sending us sufficient information in writing, including specifications or samples. Within a reasonable time period (usually 30 days) after receiving such information, we will grant or deny the request, in our sole discretion, based on whether the item or service maintains consistency with and meets our standards for brand aesthetics, quality, and functionality as well as the supplier's dependability, general reputation, and ability to provide sufficient quantity of product or services. We may require you to pay us a fee to compensate us for the time and resources we spend in evaluating your proposed modification, which may vary depending on our administrative expenses in evaluating the request and its complexity. Should we approve the request, we may, with or without cause, revoke our approval of any supplier or otherwise revise our supplier approval process at any time by written notification.

ITEM 9
FRANCHISEE'S OBLIGATIONS

The following table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in those agreements and in other items of this Franchise Disclosure Document.

	Obligation	Franchise Agreement Section	FDD Item
a.	Site selection and acquisition of lease/purchase	6.4, 6.5, and 6.6	Item 11
b.	Pre-opening purchases/leases	6.6 and 6.10	Items 8 and 11
c.	Site development and other pre-opening requirements	5, 6.8 – 6.10, 7.1, 8, 9, 10.4, 10.5, 10.12, 11, 13.4, 14	Items 6, 7, and 11
d.	Initial and ongoing training	6.1-6.3, 8.7-8.8, 12.3	Item 11
e.	Opening	6.11 and 9.1	Item 11
f.	Fees	3.2, 3.3, 5, 6.1 – 6.3, 6.7, 8.5, 8.9, 9.1 - 9.3, 9.7, 12.3, 15.1, 16.2 and Schedule 1	Items 5 and 6
g.	Compliance with standards & policies/Brand Standards	1.2, 1.3, 1.4, 7, 8, and 12	Item 11
h.	Trademarks and Proprietary Information	1.3, 1.4, 1.6, 1.17, 10, and 14.1	Items 13 and 14
i.	Restrictions on sources of products and services	6.10, 8.5 and 8.6(a)	Items 8 and 16
j.	Warranty and customer service requirements	8.4, 8.6, 12.1, and 13.3	Item 11
k.	Territorial development and sales quotas	4 and 8.2	Items 11 and 12
l.	Ongoing product/services purchases	6.10, 8.5 and 8.6	Item 16
m.	Maintenance, appearance, and remodeling requirements	3.2, 6.8 - 6.10, 7.2, 8.2, 8.3, 8.5, 8.9, and 15.1	Item 7
n.	Insurance	13.3 and 13.4	Item 8
o.	Advertising	9	Item 11
p.	Indemnification	13.1 - 13.3, and Schedule 3	Not applicable
q.	Owner's participation / management / staffing	1.12, 1.14, 6.1, 6.3, and 8.8	Items 1 and 15
r.	Records and reports	5.4, 5.7, and 11	Items 6 and 17
s.	Inspections and audits	12	Item 6
t.	Renewals and Transfers	3.2, 3.3, 6.11, 14.2, 15	Item 17
t.	Post-termination obligations	10.2(h) and 16.3	Item 17
u.	Confidentiality, Non-competition, and Non-Solicitation	14	Item 17
v.	Dispute resolution	18	Item 17
w.	Guarantee	Schedule 3	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing, and we do not guarantee your notes, leases, or other obligations.

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

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

Time to Open

You must open and commence the operation of your Franchised Business within 12 months of executing your Franchise Agreement. *See Franchise Agreement, Sec. 6.11.* We estimate that your Franchised Business can be open between 6 to 9 months after signing your Franchise Agreement. Your total time may be shorter or longer, depending on the time necessary to identify an approved Site, obtain financing, enter into your lease or purchase agreement, secure permits and licenses for construction, complete construction and décor, purchase items necessary to operate and attend training.

You may not open your Franchised Business without our written authorization, which will be conditioned upon the following: (i) your complete payment of all initial fees and other payments owed to us; (ii) our determination that your Franchised Business meets our Brand Standards; (iii) the satisfactory completion of our Onboarding Training Program by you and your management team; (iv) you have provided to us all certificates and policies of required insurance; (v) you have obtained and placed all Required Items in your Franchised Business; (vi) you have sufficient staff to operate your Franchised Business. *See Franchise Agreement, Sec. 6.11.*

If you do not open and operate your Franchised Business within 12 months, then we may terminate your Franchise Agreement. However, we will not terminate your Franchise Agreement if you demonstrate that you are making Reasonable Efforts to open a Franchised Business, and we mutually agree to amend the opening deadline in good faith. *See Franchise Agreement, Sec. 6.11.* Reasonable Efforts shall mean the following as applicable to the stage in which you request an extension: (i) you have actively engaged a real estate broker who is looking for Sites; (ii) you are actively engaged in lease negotiations; (iii) you have commenced construction, which has been delayed for reasons beyond your control such as regulatory authority permitting delays or extreme weather conditions; and (iv) there is a delay in the delivery of your Required Items, which are beyond your control, such as supply chain issues.

Franchisees who are signing a successor franchise agreement at term renewal ("Renewal Franchisees") and Franchisees who are purchasing an existing Franchised Business by virtue of a transfer ("New Owners") are expected to continue the operation of their Franchised Business without interruption in daily operations upon executing their Franchise Agreement. *See Franchise Agreement, Sec. 6.11(d).*

Our Pre-Opening Obligations

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

1. Territory. We will designate your Territory, as further described in Item 12. See *Franchise Agreement, Secs. 2.1 and 4 and Schedule 1*.
2. Site Selection Assistance. We will provide you with written site selection guidelines and criteria and site selection assistance and authorize the Site of your Franchised Business (“Site Selection Assistance”). See *Franchise Agreement, Sec. 6.5*.

You select your proposed site for your Franchised Business within your Territory. When you identify a proposed site, you must submit to us a complete report containing the documents and information we require, including the location of the site, the square footage, the site’s demographics, proximity to other businesses, the proximity of competition from other businesses providing similar services or products, the character of the neighborhood, traffic patterns, allowed design and building, parking, visibility, allowed signage, and zoning restrictions. See *Franchise Agreement, Sec. 6.5*.

Our review and approval are conditioned on a variety of factors, including the documents submitted, whether they meet the target market for a Franchised Business, as well as other criteria that may be modified at our sole discretion. We will use reasonable efforts to accept or deny the proposed site within 14 days of receiving your complete submission. We make no representation that your Franchised Business will be profitable or successful by authorizing a site. Authorization is intended only to indicate that the proposed site meets our minimum criteria based on our general business experience. See *Franchise Agreement, Sec. 6.5*. This process is known as the “Site Selection Process.”

Renewal Franchisees and New Owners do not receive Site Selection Assistance.

Should you seek to relocate your Franchised Business, we will provide Site Selection Assistance. In obtaining review and approval of your new Site, you must use the Site Selection Process and comply with other requirements. See *Franchise Agreement, Sec. 6.7*.

3. Lease/Purchase of Approved Site. We will review and approve your proposed lease or purchase agreement to ensure compliance with the Franchise Agreement and the Lease Addendum attached as Exhibit D-2. You are solely responsible for negotiating the specific business and legal terms of the lease or purchase agreement. You may not negotiate a lease or purchase agreement prior to receiving our written consent of the site of your Franchised Business. See *Franchise Agreement, Sec. 6.6*. Renewal Franchisees and New Owners do not receive Lease/Purchase Assistance.
4. Site Development. We will review and approve the proposed layout and design of your Site as well as the equipment, furniture, and fixtures, including layout, dimensions, design, image, interior, décor, and operating assets, to ensure compliance with the Franchise Agreement and our Brand Standards. See *Franchise Agreement, Secs. 6.8 and 6.10*.

You must submit final construction plans and specifications to us for our approval before you begin construction at the Site. You must develop, construct, and decorate your Franchised Business at your own expense in accordance with those approved plans and specifications. *See Franchise Agreement, Sec. 6.8.*

You are responsible for ensuring all required construction plans and specifications comply with all laws, regulations, and contracts, including, but not limited to, the Americans with Disabilities Act (“ADA”), the Occupational Health and Safety Administration (“OSHA”), the Environmental Protection Act (“EPA”), ordinances, building codes, permit requirements, and Lease requirements and restrictions. *See Franchise Agreement, Sec. 6.9.*

Renewal Franchisees and New Owners do not receive Site Selection Assistance. However, they may be required to renovate, modernize, or upgrade the Franchised Business. *See Franchise Agreement, Sec. 3.2 and 14.1.*

5. Proprietary Marks and Confidential Information. We will allow you to use our Confidential Information and Marks. *See Franchise Agreement, Secs. 2.1 and 13.1.*
6. Brand Standards Manual. We will provide you with access to our Brand Standards Manual. The Brand Standards Manual contains approximately 64 pages. The Table of Contents for the Brand Standards Manual is attached as Exhibit C. *See Franchise Agreement, Sec. 7.* The Brand Standards Manual contains required system standards and specifications, obligations in accordance with the Franchise Agreement, and other standards and procedures that we may suggest. We may modify the Brand Standards Manual at any time and post some or all of it on a restricted shared drive or intranet system. If we do so, you will monitor the shared drive or intranet system for any updates to the Brand Standards Manual. *See Franchise Agreement, Sec. 7.* The contents of the Brand Standards Manual are proprietary, and you must treat them as confidential. You may not, at any time, duplicate, record, or otherwise reproduce any part of the Brand Standards Manual, and you may not disclose the contents of the Brand Standards Manual to any person other than your employees who need to know its contents. You are responsible for your employees’ maintaining confidentiality of the Brand Standards Manual. *See Franchise Agreement, Secs. 7 and 13.1.* Additionally, you, your direct and indirect owners, guarantors, and their immediate family members will be restricted from competing with, soliciting from, and disparaging us. *See Franchise Agreement, Sec. 13.2.*
7. Sources of Products and Services. We will provide you with a list of Required Items, Approved Suppliers, to the extent we have designated them, and specifications for the Required Items, to the extent we have them. *See Franchise Agreement, Sec. 6.10 and 8.5 – 8.6.*
8. Onboarding Training. We will provide your Management Team with training, at no charge, to familiarize you with the relevant information and tools to operate your Franchised Business, including our Brand Standards (“Onboarding Training”). Your Management Team must attend and satisfactorily complete the Onboarding Training within 60 days after the Effective Date. *See Franchise Agreement, Sec. 6.1.*

You may elect to have additional management-level staff attend one or more elements of the Onboarding Training at our then-current training fee (currently \$500 per person). We will not train your non-Management Team employees. You are responsible for training your non-Management Team employees and ensuring their compliance with the Brand Standards. *See Franchise Agreement, Sec. 6.1.*

If any member of your Management Team or your Training Director fails to satisfactorily complete the Onboarding or Transfer Training, then we reserve the right to require such individual to attend enhanced training (“Enhanced Training”), and you may be required to pay us our then current training fee (currently, \$500 per day) for the Enhanced Training. We will provide Enhanced Training at the times and locations that we determine. If any member of the Management Team is unable to complete the Enhanced Training satisfactorily, we reserve the right to terminate your Franchise Agreement. *See Franchise Agreement, Sec. 6.1.*

We will provide Onboarding and Enhanced Training at the times and locations that we determine. You are responsible for all costs and expenses you and your Management Team incur in connection with the Onboarding and Enhanced (if applicable) Training, including but not limited to travel, lodging, meals, employee/contractor/trainee wages, and other similar expenses. *See Franchise Agreement, Sec. 6.1.*

We may condition participation in Onboarding Training on: (i) expending the required amounts on advertising and pre-opening sales activities we designate or otherwise approve in connection with your Grand Opening Marketing Plan; (ii) undertaking all steps to establish and provide us with access to your EFT Account consistent with your Franchise Agreement, including providing a signed and completed copy of the authorization form attached to this disclosure document, as well as any other authorizations necessary for us or our designee to access such EFT Account; (iii) demonstrating that you have obtained all required insurance coverages as set forth in the Agreement and the Manual; (iv) and providing us with completed and signed copies of all agreements and contracts that are attached in Schedules 1 – 4 of the Franchise Agreement (collectively, the “Training Conditions”). *See Franchise Agreement, Sec. 6.1.*

The founders of Modern Halo Franchising, LLC, Christina Batson, our Chief Executive Officer, Nicole Brayton, our Chief Operating and Finance Officer, and/or Adria Scheet, our Chief Experience Officer, as well as any of their designees, will conduct the onboarding training. Their experience is listed in Item 3 of this FDD.

The following is a summary of our Onboarding Training:

Subject	Virtual/Online Classroom Training	On The Job Training	Location
Legal Compliance Basics of the Model Our Relationship Goals and Targets	1.5	3	Headquarters, Virtual, or at Another Head Spa
Hiring Onboarding Training Your Staff	1.5	2	Headquarters, Virtual, or at Another Head Spa
Point-of-Sale System	1.5	4	Headquarters, Virtual, or at Another Head Spa
Leadership and Workplace Culture	1	2	Headquarters, Virtual, or at Another Head Spa
Protocol Training on Services	4	6	Headquarters, Virtual, or at Another Head Spa
Vendors & Product Management Equipment & Systems	4	2	Headquarters, Virtual, or at Another Head Spa
Store Maintenance	1	2	Headquarters, Virtual, or at Another Head Spa
Insurance/Documentation Licensing Requirements	1	1	Headquarters, Virtual, or at Another Head Spa
Client Scheduling Intake Phone System	2	2	Headquarters, Virtual, or at Another Head Spa
Day-to-Day Operations	2	4	Headquarters, Virtual, or at Another Head Spa
Staff Responsibilities Staff vs Owner Responsibilities Clinical Onboarding Supervision Clinical Quality Assessment Documentation	2.5	6	Headquarters, Virtual, or at Another Head Spa
Marketing, Sales, and Referral Relationships	3	0	Headquarters, Virtual, or at Another Head Spa
TOTAL HOURS	25	34	

Onboarding Training is not provided to Renewal Franchisees. If you are a New Owner, your Management Team must satisfactorily complete the Onboarding Training within 30 days of the Effective Date, at a cost of \$2,000 to be paid on or before the execution of the Franchise Agreement. See *Franchise Agreement, Sec. 6.1(b)*.

9. Onsite Assistance. We will provide a representative experienced in the System to assist you at your Franchised Business for a maximum of 5 days, including 3 days immediately preceding the opening, the opening day, and the day after the opening of the Franchised Business (“Onsite Assistance”). See *Franchise Agreement, Sec. 6.2*.

Onsite Assistance is not provided to Renewal Franchisees. If you request additional Onsite Assistance, you are a New Owner, or if we determine, in our sole discretion, that you require additional Onsite Assistance, then you must pay an Onsite Assistance extension fee in the amount of the then-current Onsite Assistance Fee (currently \$500 per day) as well as for all travel, lodging, and meal expenses incurred by Franchisor’s representatives (“Onsite Assistance Extension Fee”). See *Franchise Agreement, Sec. 6.2*.

10. Grand Opening Advertising. Prior to opening, you must conduct certain advertising, promotion, and public relations activities in connection with the opening of your Franchised Business. You are responsible for developing and implementing a grand opening advertising plan (“Grand Opening Advertising Plan”) for your Franchised Business aimed at recruiting initial staff, promoting the Franchised Business’s Head Spa’s initial launch, generating potential customer leads, and increasing appointments for services and membership registrations, including, but not limited to, concepts, materials, endorsements, use of influencers, geographic market, media placement, and complimentary services (“Grand Opening Advertising”). See *Franchise Agreement, Sec. 9.1*.

We will assist you with developing its Grand Opening Advertising Plan by providing you with best practices. You must collaborate with us to identify mutually agreeable sales targets and submit your Grand Opening Advertising Plan to us for review and approval to ensure consistency with our Brand Standards specifications on advertising, proper use of the Proprietary Marks, and that the Grand Opening Advertising Plan is aligned to Franchisee’s sales targets. See *Franchise Agreement, Sec. 9.1*.

Your Grand Opening Advertising must occur beginning 60 days prior to the Franchised Business’s expected opening and continue 60 days after the Head Spa opens unless otherwise agreed to in writing by us. You are required Franchisee to spend a minimum of \$10,000.00 for Grand Opening Advertising (“Minimum Grand Opening Advertising Spend”), and we estimate you could spend up to \$15,000, depending on your Plan. See *Franchise Agreement, Sec. 9.1*.

You are required to pay our designated Approved Supplier to develop digital content and assets with the Proprietary Marks for the Franchised Business opening (“Grand Opening Assets”), which you will pay to print or use digitally, at its own cost and expense using its own suppliers. Some Grand Opening Assets are Required Items, such as brochures, flyers, signage, menus of services, and business cards. The Grand Opening Asset costs

shall be applied to the Minimum Grand Opening Advertising Spend. Upon our request, you must provide us with proof of your Grand Opening Advertising expenditures. We have the right, but not the obligation, to collect and administer these funds on your behalf. *See Franchise Agreement, Sec. 9.1.*

Grand Opening Advertising assistance is not provided for Renewal Franchisees or New Owners.

11. Technology. Prior to opening, we will assist you in setting up hardware, software, systems, and processes for use in the Franchised Business, including, without limitation, telephone systems, network, internet, intranet, sound systems, platforms, credit card payment systems, gift card systems, communications, computer systems (e.g., applications, security systems, printers and peripheral devices, backup systems, internet access), emails, webpage on our website, and technology components that we specify from time to time in the Brand Standards Manual ("Technology"). *See Franchise Agreement, Sec. 6.10.*

Prior to opening the Franchised Business and throughout the term of the Franchise Agreement, you must purchase, install, use, and maintain the Technology at your own cost in accordance with the specifications, methods, procedures, and techniques as specified in the Brand Standards Manual. You are required to have access to a computer, tablet, telephone system (mobile, land, or other communication device), wireless sound system, wireless services and network, POS software, gift card systems, and payment/credit card processing system. Some of these items, such as the POS software and gift card systems, must be purchased from our Approved Suppliers. We may also specify Approved Suppliers for credit card processing and other payment methods as well as determine the payment methods that are permitted. *See Franchise Agreement, Sec. 6.10.* We estimate the pre-opening cost of and setup fees for the required Technology is approximately \$6,700 - \$9,000. Additionally, when you are making appointments for your Franchised Business, you must pay our Approved Supplier to setup your POS system for \$1,208 and a monthly fee for ongoing services, which we estimate to be around \$400 - \$550, depending on the volume of SMS messages that are sent through the POS system each month.

We have the right to monitor and retrieve information and data stored on your Technology related to the operation of your Franchised Business, including but not limited to all information related to customer transactions, inventory, sales, and other unit economics. Your Technology must have the capabilities to provide us with such data, and we reserve the right to require that your Technology provide us with independent remote access capabilities to retrieve such data in the future. *See Franchise Agreement, Sec. 8.9.*

You must take all reasonable steps, including, but not limited to, those related to the visibility and management of your Franchised Business, that are necessary to ensure compliance with the Payment Card Industry Data Security Standards, as such standards may be revised and modified. You are solely responsible for any and all consequences if the Technology is not operated properly, maintained, and upgraded. You are also responsible for protecting yourself from and responding to any disruptions, Internet access failures, Intranet content failures, attacks by hackers, and otherwise unauthorized

intruders. You waive any and all claims that you may have against us as the direct or indirect result of such events. See *Franchise Agreement, Sec. 8.9*.

We will not provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Technology. You are required, at your cost, to maintain the Technology in working order and upgrade any technology that we designate throughout the term of your Franchise Agreement in accordance with our Brand Standards. See *Franchise Agreement, Sec. 8.9*. We estimate that you will spend approximately \$3,000 - \$4,500 annually on maintenance, repairs, and support contracts for your Technology.

Our Brand Standards regarding required Technology specifications and Approved Suppliers are subject to change without prior notice. If the brand standards are revised, you must upgrade or replace your Technology. We also reserve the right to require you to use Technology administered through us, which provides us with automatic access to all data and reports that might be created by the Technology, including system-wide computer networks and software. See *Franchise Agreement, Sec. 8.9*.

Renewal Franchisees and New Owners do not receive Site Selection Assistance. However, they may be required to renovate, modernize or upgrade the Franchised Business. See *Franchise Agreement, Sec. 3.2 and 14.1*.

12. Website and Email Addresses. We have established a systemwide public-facing website (“Modern Halo™ Website”) and email domains. You may not establish, create, or operate your own public-facing website or email for your Franchised Business. See *Franchise Agreement, Secs. 9.4 and 9.5*.

Upon the execution of the Franchise Agreement, you must pay Franchisor a non-refundable, non-recurring Technology setup fee of \$1,110.00 for our initial setup of a page on our website with information specific to your Franchised Business (“Local Page”) and up to 5 email addresses with the System’s domains (“Local Email”) (“Technology Setup Fee”). Any additional Local Email address licenses must be purchased from our Approved Supplier. Additionally, you must pay us a non-refundable, monthly, ongoing Technology fee, which is currently \$280 per month, for the ongoing maintenance of the Local Page and Local Email (“Monthly Technology Fee”). We may increase the Monthly Technology Fee from time to time. See *Franchise Agreement, Secs. 5.3, 9.4, and 9.5*. You must notify us whenever any information on your Local Page or Email needs to be modified. You may request that your Local Page be updated or added to your webpage, which must be approved by us, in our sole discretion, prior to the modification is made. We may request that you provide us with content for your Local Page and Local Email. See *Franchise Agreement, Secs. 9.4 and 9.5*.

The Technology Setup Fee does not apply to Renewal Franchisees and New Owners. However, additional license fees and the Monthly Technology Fee will apply.

13. Other Digital Media, such as Social Media and Web Directories. Prior to opening the Franchised Business, we will assist you with designating and creating the necessary digital media accounts for your Franchised Business. Should you want us to designate and create t these accounts for your, you must manage them to promote and advertise the business (adhering to the Brand Standards) and pay for the associated costs, which

shall be applied to your Minimum Local Advertising Spent as set forth further below. See *Franchise Agreement, Secs. 8.13, 9.7, and 9.9*. We retain the right to consolidate and manage these accounts in the future and charge a fee for doing so.

We own all intellectual property rights for all digital media and all information it contains, including, but not limited to, the domain name, the website (including your Local Page), email accounts (including Local Email), telephone numbers and listings, social media, web directories, the internet system, all analytical data, and any personal or business data that visitors may supply. See *Franchise Agreement, Sec. 9.9*.

Our Ongoing Obligations

During the term of your Franchise Agreement, we (or our designee) will provide the following assistance:

1. **Brand Standards, Confidential Information, and Marks**. We will continue to provide you with the Brand Standards, Confidential Information, and Marks as set forth in the Pre-Opening Obligations.
2. **Brand Fund**. We will maintain and administer a general brand fund or funds (the “Brand Fund”) for such national, regional, local, and other marketing, developing, advertising, promotion, and public relations programs and other activities to promote and protect the brand as Franchisor, in its sole discretion, may deem necessary or appropriate (“Brand Fund Programs”). The Brand Fund is intended to maximize general public recognition and patronage of businesses in the System. We have the absolute right to direct the creative concepts, materials, endorsements, content, media, and other brand promotion and protection methods used in the Brand Fund programs, as well as the placement and allocation of the Brand Fund Programs. See *Franchise Agreement, Sec. 8.12*.

You must contribute a monthly fee to the Brand Fund (“Brand Fund Contribution”) for advertising and promotion in the following amount, payable each month, on the day we specify, for your gross revenue receipts from the preceding month:

Time Period	Brand Fund Contribution
Year 1 and 2: Commencing on the 61st day following the opening of the Head Spa and continuing through the end of the 2nd year of operation.	1% of Gross Revenues
Year 3 and 4: Commencing on the 1st day of the third 3rd year of operation of the Head Spa and continuing through the 4th year of operation.	2% of Gross Revenues
Year 5 – 10: Commencing on the 1st day of the 5th year of operation and continuing through the end of the Term.	3% of Gross Revenues

No action taken by us shall diminish your obligation to pay your Brand Fund Contribution. The Brand Fund Contribution is in addition to your Minimum Local Advertising Spend. See *Franchise Agreement, Sec. 5.3*.

Since this is the first year that we are offering franchises, we did not collect any Brand Fund Contributions in our last fiscal year. The Brand Fund will be administered by the us,

our affiliates, or designees at our discretion. The Brand Fund may not be used to defray any of our general operating expenses except for any reasonable salaries, administrative costs, and overhead (calculated on a fully allocated basis) that we may incur in activities reasonably related to the administration or direction of the Brand Fund and its advertising programs (including, without limitation, conducting market research, managing programs supported by the Brand Fund, and retaining outside agencies).

The Brand Fund will be accounted for separately from our other funds. The Brand Fund is not a trust or escrow account, and we have no fiduciary obligation to you or any franchisee with respect to the Brand Fund. The Brand Fund is not audited. However, you may request an unaudited statement of operations of the Brand Fund, which we will prepare annually, at the cost of the Brand Fund. *See Franchise Agreement, Sec. 8.12.*

We are not obligated to spend any amount of the Brand Fund in the geographic area where your Franchised Business is located. Certain franchisees may contribute to the Brand Fund on a different basis depending on when they signed their franchise agreements. The Brand Fund will not be used for franchise development, but it may support certain advertising and promotion for the System, which may also include information about franchising opportunities. *See Franchise Agreement, Sec. 8.12.*

You must participate in all promotional campaigns, prize contests, special offers, and other programs, national, regional, and local in nature (including the introduction of new Products and Services, new franchises, or other marketing programs directed or approved by us), which we prescribe from time to time. In addition, you must honor any coupons, gift certificates, or other authorized promotional offers at your sole expense unless otherwise provided in writing by us. You must maintain an adequate supply of marketing brochures, pamphlets, and promotional materials that we may require from time to time. The cost of such participation will be applied to your Minimum Local Advertising Requirement. *See Franchise Agreement, Sec. 8.12.*

3. Local Advertising. Commencing on the 61st day after the Franchised Business Head Spa opens, you are required to spend at least the greater of the following on Local Advertising: (a) \$1,500 per month; or (b) 1% of Gross Revenue (“Minimum Local Advertising Spend”). We reserve the right to increase the Minimum Local Advertising Spend to up to 3% of your Gross Revenue by providing 60 days written notice. Upon our request, you must provide itemization and proof of local marketing and an accounting of the money you have spent on approved local marketing. If you fail to make the Minimum Local Advertising Spend, we have the right to collect and contribute any deficiency to the Brand Fund. *See Franchise Agreement, Sec. 8.13.*

We may provide and make available to you certain optional or required advertising and promotional materials for your Franchised Business’s Local Advertising, including, without limitation, content and printed or digital assets for brochures, flyers, menus, signage, business cards, merchandising materials, POS materials, and seasonal promotions. We may require you to purchase, produce (e.g., customize and print), and use such materials for your Franchised Business’s Local Advertising at your sole cost and expense, which may be applied to the Minimum Local Advertising Spend. *See Franchise Agreement, Sec. 8.13.*

All Local Advertising that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify in our Brand Standards. If you elect to use any advertising or promotional materials, tactics, or campaigns other than those that we have previously required or approved, then you must submit the materials, tactics, or campaigns that you wish to use to us for our written approval at least 30 days prior to use. If you do not receive written approval within 30 days, then those materials, tactics, or campaigns are deemed disapproved and prohibited from use. *See Franchise Agreement, Sec. 8.13.*

Additionally, during the term of your Franchise Agreement, we (or our designee) may provide the following assistance at our sole discretion:

1. Pricing. We may assist in establishing prices for the services and products that you offer at your Franchised Business by setting minimum or maximum pricing. *See Franchise Agreement, Sec. 8.6(b).*
2. Consultation and Advice. We may provide you with consultation and advice, in our sole discretion, in the operation of your Franchised Business. If provided, consultations or advice will be provided during our regular business hours by telephone, electronic media, or in-person at our franchising office or at your Franchised Business location. Consults and advice may be provided related to approved services and products, operational methods, accounting procedures, marketing and sales strategies, and compliance with Brand Standards. *See Franchise Agreement, Sec. 8.10.* Such consultations and advice may be based on reports, inspections, guest satisfaction surveys, and other brand quality measures, and such advice will be subject to your timely provision of reports that we require you submit. *See Franchise Agreement, Secs. 10 and 11.*
3. Additional Training. We may provide your Management Team with up to 5 days of refresher training per year (“Refresh Training”) as well as new training as the Brand Standards are updated or new products, services, or protocols are rolled out (“Rollout Training”) (collectively, “Additional Training”). Your Management Team, as applicable to the topic, is required to attend Rollout Training. Refresh Training may be required or optional at our sole discretion. Refresh and Rollout Training may occur virtually, through an online platform, at your Franchised Business, at our headquarters, or at another Franchised Business, depending on the topic and the reason for the Training. *See Franchise Agreement, Sec. 6.3.*

If you appoint any new member of your Management Team, they are required to attend and satisfactorily complete the Onboarding Training, as applicable for their specific position, before assuming the responsibility for the management of and training at your Franchised Business. *See Franchise Agreement, Sec. 6.3.*

You must ensure that your employees are properly trained to operate your Franchised Business in accordance with our Brand Standards. We may require you to attend Enhanced Training, and you may be required to pay us our then-current training fee (currently, \$500 per day) for the Enhanced Training under any of the following circumstances: (i) you fail to attend and satisfactorily complete required Additional Training; (ii) you fail attend a Franchise Conference, in whole or in part; or (iv) we determine that you are not operating in compliance with your Franchise Agreement and

our Brand Standards. We will provide Enhanced Training at the times and locations that we determine. You are responsible for all travel, lodging, meals, and similar expenses, as well as any wages for you and any employees who attend the Enhanced Training. If any member of the Management Team is unable to complete the Enhanced Training satisfactorily, we reserve the right to terminate your Franchise Agreement. See *Franchise Agreement, Secs. 6.1, 11.3.*

4. Franchise Conferences. We may hold an annual conference or business meeting for franchisees (up to 4 days per year) to discuss business and operational items impacting the system, such as industry changes, new services or products, marketing strategies, and Brand Standards (“Franchise Conference”). Your Operating Owner, at minimum, must attend the Franchise Conference, and depending on the topics to be discussed, you may invite other members of your Management Team or employees to attend. You must pay the then-current conference fee (currently, \$500 per person), and you will be responsible for all expenses incurred attending them, including, but not limited to, travel, meals, lodging, and registration fees. See *Franchise Agreement, Sec. 6.3.*
5. Inspections, Audits, and Reports. We may conduct, as we deem advisable in our sole discretion, inspections of the Sites and audits of the Franchised Business and your operations, generally, to ensure compliance with our Brand Standards. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of the system, as we deem appropriate in our sole discretion, and detail any deficiencies that become evidence as a result of any inspection or audit. See *Franchise Agreement, Secs. 10 and 11.*
6. System Improvements, Refreshes, and Upgrades. We may make changes to the Brand Standards to improve the System, including researching and rolling out new products, services, furniture, fixtures, equipment, inventory, technology, Marks, and Copyrighted Materials. See *Franchise Agreement, Sec. 7.2.* From time to time, we may require you to refresh or upgrade your Franchised Business in compliance with our then-current Brand Standards for quality, aesthetics, and functionality of the layout, design, décor, furniture, fixtures, and equipment, for example. We will provide you with the requirements and completion deadline for the refresh or upgrade. You are responsible for all costs associated with the refresh or upgrade. See *Franchise Agreement, Sec. 8.3.*
7. Advertising Cooperatives. We do not have any established advertising cooperatives at this time. We reserve the right to designate local or regional advertising markets and form a cooperative advertising association (“Advertising Cooperative”) for the purposes of joint advertising and promoting The Modern Halo™ franchises in the future. Members of the Advertising Cooperative will be responsible for administering the Advertising Cooperative, including determining the amount of contribution from each member and preparing bylaws and other documents subject to the terms of this Agreement, the Brand Standards Manual, and Franchisor’s written approval.

ITEM 12 TERRITORY

Territory

We will grant you a protected territory that will be identified in your Franchise Agreement (“Territory”). Territories typically comprise a 3-mile radius with your Site at the center unless otherwise identified in your Franchise Agreement. In some cases, Territories can be larger or smaller or within designated boundaries, at our sole discretion, depending on population density, demographics, demand for services, travel times, and economic conditions. Upon designation of your Territory, you do not receive the right to acquire additional Modern Halo™ Franchises within the Territory. You do not have to meet a minimum sales quota. See *Franchise Agreement, Sec. 2.1 and Schedule 1*.

Subject to our retained rights, your Territory will be exclusive and protected. This means that we will not open or operate a Franchised Business or license any third party the right to open or locate a Franchised Business within your Territory during the term of your Franchise Agreement. See *Franchise Agreement, Sec. 4.1*.

Site and Relocation

You will operate your Franchised Business at a specific location that we approve within your Territory (“Approved Site”). If you have not identified the Site when you sign the Franchise Agreement, then you will select a Site and submit it to us for our approval after you sign the Franchise Agreement in accordance with the Site Selection Process. You may not conduct your Franchised Business from any location other than your approved Site. See *Franchise Agreement, Secs. 2.1, 6.4, and 6.5*.

You may not relocate your Franchised Business without our prior written approval. Should you seek to relocate your Franchised Business, we will provide Site Selection Assistance. In obtaining review and approval of your new Site, you must use the Site Selection Process described above in the Pre-Opening Obligations, and your new Site cannot infringe on or another franchisee’s Territory or negatively impact another Franchised Business. In addition to the criteria for approval of the Site identified in the Site Selection Process, you must also submit written documentation to us showing that: (i) your current lease has expired; (ii) your current lease is terminated for a reason other than your default; or (iii) the current Site was destroyed, condemned, or otherwise rendered unusable. You must also be in compliance with your franchise agreement and establish that you have the funds available to relocate and construct the Head Spa according to our then-current standards. You must pay us a non-refundable relocation fee of \$10,000 no later than 60 days before opening at the new Site and cooperate with us to preserve client goodwill with impacted clients, including issuing full or partial refunds or other accommodations to customers, facilitating their migration to your new Site or other Franchised Businesses, and paying any costs or fees associated with such migration. We may require you to pay an agreed minimum Royalty Fee for the period that you are not operating and require you to sign the then-current franchise agreement. See *Franchise Agreement, Sec. 6.7*.

Solicitation and Distribution Channel Limitations

You will be permitted to sell products, services, or gift cards that we have approved at your Site to potential and existing customers who live anywhere and who choose to visit or otherwise reach out to your Franchised Business. Additionally, you will be permitted to advertise, promote, and use the Marks directed within your Territory in accordance with our Brand Standards. We will create and you may manage, at your own expense, social media, web directories, and other digital media platforms. *See Franchise Agreement, Secs. 2.1, 8.17, and 8.19.*

You may not market, offer, or sell products or services that we have not approved. You may not engage in the following activities, directly or indirectly, including through the internet, television, electronic delivery systems, catalogs or other mail order devices, and telephonic or electronic communications (“Other Alternative Channels of Commerce”) without our written approval: (i) solicit or recruit customers outside of your Territory; (ii) sell products, services or gift cards beyond your Site or beyond your Territory for promotional events; (iii) advertise or promote, or use the Marks outside of your Territory; or (iv) sell products, services, or gift cards for resale. Upon your request, we may permit you to engage in these activities with our prior written authorization, which we provide or deny in our sole discretion. *See Franchise Agreement, Sec. 2.4.*

Customer Memberships

Your Franchised Business will be membership-based. To the fullest extent possible under applicable law, you must honor the memberships of customers of other Franchised Businesses by providing them with membership rates for services sought and obtained at your Franchised Business, or as otherwise provided in the Brand Standards, which may be modified at any time. *See Franchise Agreement, Sec. 8.6.*

Gift Cards

You may sell gift cards to be redeemed only at your Franchised Business. We may, at our sole discretion, modify the Brand Standards related to gift card redemption, including, requiring you to redeem gift cards that we or other franchisees sell. *See Franchise Agreement, Sec. 8.6.*

Rights We Retain

We expressly retain the following rights, among others:

1. The right to offer and sell a franchise license to any other party within the Territory you are seeking prior to your execution of our then-current franchise agreement.
2. The right to open, own, or operate, and license others to open, own, or operate a Franchised Business outside of your Territory.
3. The right to withdraw the protection of your Territory and offer Modern Halo™ Franchises to open and operate within your Territory if you are not in compliance with the Franchise Agreement.
4. The right to open, own, or operate, and license others to open, own, or operate other

businesses under other systems using other trademarks, whether located or operating inside or outside of your Territory. However, we do not have any current plans to operate a competing franchise system offering similar goods or services.

5. The right to establish other distribution channels to sell products, services, and gift cards to customers anywhere, including within your Territory, using the Internet or Alternative Channels of Commerce. Such products, services, and gift cards may be identical to, similar to, or competitive with the products, services, and gift cards in your Franchised Business. We are not required to compensate you for soliciting, advertising, promoting, or selling products, services, and gift cards inside your Territory.
6. The right to communicate directly with any of your customers for the purpose of monitoring your performance and compliance with the terms of the Franchise Agreement.
7. The right to modify the membership model and require you to accept membership service credits of members of other Franchised Businesses.
8. The right to use the Proprietary Marks anywhere, including inside your Territory, and to operate and use any websites using a domain name using the words “Modern Halo,” “Head Spa,” “Dry Bar,” and/or derivatives of those terms.
9. The right to advertise on the Internet and use the Proprietary Marks on the Internet, including all websites, domain names, URLs, directory addresses, metatags, linking, and other arrangements.
10. The right to open, own, or operate, and license others to open, own, or operate Franchised Businesses in captive locations, whether located or operating inside or outside of your Territory, including college campuses, airports, train stations, hotels, corporate campuses, and departments within existing retail stores.
11. The right to be acquired or become controlled (regardless of the form of the transaction) by a business providing products or services similar to those provided in the Franchised Business or by another business, even if such business operates, franchises, and/or licenses competitive businesses.
12. The right to operate or grant any third party the right to operate any Franchised Business that we or our designees acquire as a result of the exercise of a right of first refusal or purchase right that we have under the Franchise Agreement, or any other franchise agreement.
13. The right to offer, sell, open, and operate a Franchised Business inside the Territory at any time following the expiration or termination of your Franchise Agreement.
14. The right to engage in any activities not expressly prohibited by the Franchise Agreement.


See Franchise Agreement, Sec. 4.2.

**ITEM 13
TRADEMARKS**

Your Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the Franchise System, which includes the use of our Proprietary Marks. By “Proprietary Marks” or “Marks,” we mean the trademarks, THE MODERN HALO™ and THE MODERN HALO – Head Spa & Dry Bar™, together with such other trademarks, service marks, trade names, distinctive names, commercial symbols, and related logo designs and insignia, which we may designate from time to time as part of the System, and not hereinafter withdrawn. You may also use other future trademarks, service marks, and logos we approve to identify your Franchised Business.

The Proprietary Marks are owned by 3S-IP and are licensed to us. 3S-IP has granted us an exclusive license to use the Proprietary Marks to franchise the system internationally (“License Agreement”).

3S-IP has filed applications obtained registrations of the following trademarks with the United States Patent and Trademark Office (“USPTO”) as follows:

Mark	Serial Number	Filing Date	Status
The Modern Halo	98,723,902	May 27, 2025	Registered
	98,740,213	September 9, 2024	Pending

Our affiliate 3S-IP (“we” or “our”) has a federal registration for our standard trademark as identified above. Our trademark application for our stylized mark, and the required declarations have been filed. We claim common law rights to the Proprietary Marks and other terms, phrases, designs, logos, and trade dress, including color schemes and appearance, as well as copyright where applicable. Unregistered common law trademarks generally do not have the same legal rights and benefits as federally registered trademarks. If our right to use these Proprietary Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Presently, there are no effective adverse determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, cancellation proceedings, or material litigation involving the Proprietary Marks. Except for the License Agreement, there are not any agreements that significantly limit our right to use or license the Proprietary Marks in any manner material to your Franchised Business. We do not know of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

Your right to use the Proprietary Marks is derived from your Franchise Agreement and all applicable specifications, standards, and operating procedures in accordance with our Brand Standards. Any unauthorized use of the Proprietary Marks by you is a breach of the

Franchise Agreement and an infringement on our rights in the Proprietary Marks. Your use of the Proprietary Marks and any goodwill established by them, including goodwill arising through the operation of your Franchised Business, will be for our direct and exclusive benefit. You may not at any time, during or after the term of your Franchise Agreement, contest or assist any other person in contesting the validity, ownership, or licensing right of any of the Proprietary Marks.

You may only use the Proprietary Marks we designate, and you may use them only in the operation and advertising of your Franchised Business in the manner we authorize as prescribed in your Franchise Agreement, the Brand Standards Manual, and all other applicable specifications. This includes the requirement to use the Proprietary Marks on exterior and interior signage, advertisement and promotional materials, service contracts, stationery, and in any other form and manner we prescribe. When using the Proprietary Marks, you must provide proper notice of the trade and service marks and copyrights in the manner we specify. While you must identify your Franchised Business, including required signage, as an independently owned and operated business, you may not use any trade or service marks other than the Proprietary Marks in the operation of your Franchised Business. Additionally, you may not use any Mark: (i) as part of an entity or other legal name, (ii) with any prefix, suffix, or other modifying words, terms, designs, or symbols; (iii) in the sale of unauthorized services or products; or (iv) in any advertising for the transfer, sale, or other disposition of any interest in your Franchised Business. You may request our authorization, which we will approve or deny in our sole discretion, to register a trade name using your entity or other legal name followed by “d/b/a Modern Halo [Location]”. Additionally, you must include a statement on various materials for your Franchised Business and post a prominent sign in your Franchised Business indicating that you independently own and operate the Franchised Business, and you must notify your employees in writing of the same.

If at any time, we determine, in our sole discretion, that we must modify or discontinue the use of the Proprietary Marks, or use one or more additional or replacement trade or service marks or copyrights (“New Marks”), (i) all provisions of your Franchise Agreement applicable to the Proprietary Marks will apply to the New Marks; and (ii) you must comply with our directions, at your sole expense, to discontinue or modify the use of the Proprietary Marks and/or implement and use the New Marks within a time frame and with specified procedures, policies, and rule specified by us.

You must notify us in writing upon discovering any claim of infringement, unfair competition, or other challenge to your right to use Proprietary Marks, or upon discovering any use of or claims to the Proprietary Marks by anyone other than us or our licensed Franchisees. Such notification must be given promptly and in no event longer than 3 calendar days after discovery by you. You may not communicate with anyone except us and counsel in connection with any such infringement, challenge, or claim, except pursuant to judicial process. We have the absolute right to determine whether to take any action in connection with any such infringement, challenge, or claim and the sole right to control any litigation or other proceeding arising out of any infringement, challenge, or claim relating to the Proprietary Marks. You must sign any instruments and documents, render any assistance, and perform any acts that we deem necessary or advisable to protect and maintain our interest in any litigation or proceeding related to the Proprietary Marks or otherwise to protect

and maintain our interest in the Proprietary Marks. At our option, you will join in any action, in which case we will bear all of your out-of-pocket costs for your participation. If you join in an action, then the recovery, if any, from such legal action shall be first applied to the total expenses associated therewith, and then split equally between you and us.

We have no obligation to pursue any infringing users of the Proprietary Marks. If we learn of an infringing user, we will take the appropriate action, but we are not required to take any action. You must notify us within 3 days if you learn that any unauthorized party is using the Proprietary Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by you or us.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

There are no pending patent applications that are material to the franchise.

The Copyrighted Materials are owned by 3S-IP and are licensed to us. 3S-IP has granted us in the License Agreement to use the Copyrighted Materials to franchise the system internationally (“License Agreement”).

Neither we nor our affiliate, 3S-IP (“we” or “our”), have registered copyrights. However, we claim common law and federal copyrights to all versions, variations, and adaptations of the following materials in tangible form, either produced by us or produced on our behalf as works for hire, or derived from works produced by or on behalf of us: (i) all manuals and training modules used in the Franchised Business’s development, operations, and marketing activities, including, but not limited to the Brand Standards Manual, (ii) training materials (including printed, audio, video, or electronic materials); (iii) plans and specifications; (iv) menu designs and graphics; (v) product identification posters, photographs, and graphics; (vi) advertising and marketing materials; (vii) labels, forms, and reports provided by us; (viii) any computer software developed for use in the operation of Franchised Business; (ix) all Trade Dress and Trade Dress elements; and (x) any other materials protected by copyright law or marked or identified by Franchisor as protected by copyright (“Copyrighted Materials”).

We will provide you with access to some or all of our Copyrighted Materials, including the Brand Standards Manual. The Copyrighted Materials and the limitations of the use of it by you, your officers, employees, and independent contractors are described in Item 11 and Sections 7, 8, and 13 of the Franchise Agreement.

We may revise our System and any of our Copyrighted Materials at our discretion and may require that you cease using any outdated Copyrighted Materials. You will be responsible, at your sole expense, for publishing, printing, or distributing any revised or new Copyrighted Materials. The Copyrighted Materials are our sole property, and during the term of your Franchise Agreement, we grant you the right to use the Copyrighted Materials for the development, marketing, and operation of your Franchised Business.

To our knowledge, there currently are no effective determinations of the United States Copyright Office or any court regarding any of the Copyrighted Materials. There are no agreements in effect that significantly limit our right to use or license the Copyrighted Materials, and 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 Copyrighted Materials or you in connection with the Copyrighted Materials.

You must notify us in writing upon discovering any claim of infringement, unfair competition, or other challenge to your right to use Copyrighted Materials or upon discovering any use of or claims to the Copyrighted Materials by anyone other than us or our licensed Franchisees. Such notification must be given promptly and in no event longer than 3 calendar days after discovery by you. You may not communicate with anyone except us and counsel in connection with any such infringement, challenge, or claim except pursuant to judicial process. We have the absolute right to determine whether to take any action in connection with any such infringement, challenge, or claim and the sole right to control any litigation or other proceeding arising out of any infringement, challenge, or claim relating to the Copyrighted Materials. You must sign any instruments and documents, render any assistance, and perform any acts that we deem necessary or advisable to protect and maintain our interest in any litigation or proceeding related to the Copyrighted Materials or otherwise to protect and maintain our interest in the Copyrighted Materials. At our option, you will join in any action, in which case we will bear all of your out-of-pocket costs for your participation. If you join in an action, then the recovery, if any, from such legal action shall be first applied to the total expenses associated therewith, and then split equally between you and us.

We have no obligation to pursue any infringing users of the Copyrighted Materials. If we learn of an infringing user, we will take the appropriate action, but we are not required to take any action. You must notify us within 3 days if you learn that any unauthorized party is using the Copyrighted Materials. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by you or us.

Proprietary Confidential Information

The following items are proprietary and confidential: all of Franchisor's trade secrets, Copyrighted Materials, methods, techniques, and know-how, including, but not limited to, proprietary and marketing information, the Brand Standards Manual, technical knowledge, research data, process, programs, designs, Products, Services, or marketing plans, financial or personal data, sales, supplier, customer, employee, or investor information, or the like, relating to the business affairs or operations of Franchisor or its franchisees, whether in oral, written, electronic, graphical, or other forms ("Confidential Information"). Confidential Information does not include any information that: (i) was publicly known and made generally available in the public domain prior to the time of disclosure by Franchisor; (ii) becomes publicly known and made generally available after disclosure by Franchisor through no action or inaction by Franchisee; or (iii) is required to be released or disclosed by law or judicial order.

We will disclose Confidential Information to you as needed, in our sole discretion, to train, guide, and assist you in the operation of your Franchised Business, and we may disclose

additional Confidential Information to you during the term of your Franchise Agreement. Our Confidential Information is our sole, exclusive, proprietary, and confidential property of Franchisor and is provided or revealed to you in confidence. The Confidential information will be on loan to you and must, at all times, remain in your custody.

You must maintain the confidentiality of all Confidential Information during the term of your Franchise Agreement and at any time thereafter and may not disclose any portions of the System and Confidential Information other than as may be required to enable you to conduct your Franchised Business. You must not use any Confidential Information in any other business or in any manner not specifically approved in advance in writing by Franchisor.

You shall inform all of your employees before communicating or divulging any Confidential Information to them of their obligation of confidence. In addition, subject to applicable law, you must obtain a written agreement, in form and substance satisfactory to us, from your employees, landlord, contractors, and any other person having access to Confidential Information that they shall maintain the confidentiality of the Confidential Information and they shall recognize us as a third-party beneficiary with the independent right to enforce the covenants either directly in our own name as beneficiary or acting as agent.

Upon the transfer, expiration, nonrenewal, or termination of your Franchise Agreement, for any reason whatsoever, you must immediately return to us, delete, or destroy the Confidential Information, at our sole discretion and direction, and shall retain no copy or reproduction.

We have the right to inspect, copy, and use all records regarding customers, members, suppliers, and other service providers in any way related to your Franchised Business, including, but not limited to, databases (whether in print, electronic, or other form), names, addresses, phone numbers, email addresses, and customer/member purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer, or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and other purposes we deem appropriate at our sole discretion.

Non-Compete and Non-Solicitation

During the term of the Franchise Agreement, you, your direct and indirect owners, Guarantor(s), and their immediate family members shall not, directly or indirectly, for themselves or through others:

1. Own, maintain, engage in, be employed by, or have any interest in any business that offers head spa services, dry bar services, or any other products or services offered by the Franchised Business ("Competing Business"). However, you may operate another Franchised Business under a separate franchise agreement with us.
2. Solicit business from clients of your Franchised Business for any competitive business purpose.
3. Solicit any employee of ours or any other Modern Halo™ System franchisee to discontinue their employment with us or any other Modern Halo™ System franchisee.

4. Own, maintain, engage in, be employed by, or have any interest in any company that grants franchises or licenses for any business competing with us.
5. Attempt to gain an unfair advantage over other franchisees, us, or any Affiliates by defaming, making false or misleading public statements, or soliciting any customer of ours, other franchisees, or any Affiliates.

For 2 years after the expiration, nonrenewal, transfer, or termination of the Franchise Agreement, you, your direct and indirect owners, Guarantor(s), and their immediate family members shall not, directly or indirectly, for themselves or through others:

1. Own, maintain, engage in, be employed by, or have any interest in any Competing Business within a fifteen (15) mile radius of the Franchised Business or any other Modern Halo™ Head Spa in operation, under construction, or any site with a signed letter of intent, purchase agreement, or lease for a Modern Halo™ Head Spa as of the date of the expiration, nonrenewal, Transfer, or termination of this Agreement. However, you may continue to operate any other Franchised Business under a current franchise agreement with us.
2. Solicit business from clients of your former Franchised Business for any competitive business purpose.
3. Solicit any employee of ours or any other Modern Halo™ System franchisee to discontinue their employment with us or any other Modern Halo™ System franchisee.
4. Own, maintain, engage in, be employed by, or have any interest in any company that grants franchises or licenses for any business competing with us.
5. Attempt to gain an unfair advantage over other franchisees, us, or any Affiliates by defaming, making false or misleading public statements, or soliciting any customer of ours, other franchisees, or any Affiliates.

This 2 year period shall be tolled during any period of noncompliance and extended thereafter.

Intellectual Property Rights Assignment, Disclosure, and Use

Any modifications, adaptations, or developments made by you, your Affiliates, the direct or indirect owners, officers, directors, employees, independent contractors, or other staff of you or your Affiliates ("Franchisee Parties") to the Proprietary Marks, Copyrighted Materials, or any other intellectual property owned by us shall be considered derivative works ("Derivative Works"). You acknowledge that all rights, titles, and interests in and to such Derivative Works shall be owned exclusively by us. You hereby assign and agree to assign to us all rights, including intellectual property rights, in and to such Derivative Works.

To the extent that any intellectual property created by Franchisee Parties does not qualify as a Derivative Work, such intellectual property shall be considered "works made for hire" as defined under applicable copyright laws. You agree that all rights, titles, and interests in and to such works made for hire shall be owned exclusively by us. If any intellectual property created by Franchisee Parties does not qualify as a "work made for hire," you hereby waive any moral and similar rights to such intellectual property and assign to us all economic rights

and all rights, titles, and interests in and to such intellectual property in perpetuity throughout the world without additional compensation or obligations to you or any Franchisee Party.

You must promptly disclose to us all ideas, concepts, techniques, methods, processes, or materials concerning your Franchised Business or the Franchise System, whether or not protectable intellectual property, that any Franchisee Party conceives, develops, or adapts during the Term of this Agreement related to the Franchised Business or Franchise System. You shall execute any and all instruments and documents, render such assistance, and perform such acts and things as may, in our opinion, be necessary or advisable in furtherance of such assignment and waiver. You will require the same assignment, waiver, and covenant in favor of us by any Franchisee Party who developed, invented, conceived, translated, modified, or adapted intellectual property.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must have an Operating Owner who is active in overseeing and supervising the operations of the Franchised Business. The Operating Owner must be an individual who owns 25% or more of the Franchised Business or the Franchisee (if the Franchisee is an entity). You must appoint, and we must approve, the Operating Owner. Your first Operating Owner is identified in Schedule 1. See *Franchise Agreement*, Secs. 1.14 and 8.3.

The Operating Owner must supervise and manage all aspects of your Franchised Business and deal exclusively with us and our staff for purposes of administering and coordinating the relationship created by the Franchised Agreement. The Operating Owner's active role in the Franchised Business includes without limitation, regular and periodic visits to the Franchised Business and maintaining sufficient communications with us, including, without limitation, attending Additional Training (e.g., Refresh and Rollout Training), Franchisee Conferences, and other in-person or virtual meetings held by Franchisor, keeping updated on any modifications to the Brand Standards Manual or other changes to the System, reviewing all our communications to franchisees, and timely responding to any our requests, inspections, audits, or other requests permitted by this Agreement or the Brand Standards Manual. See *Franchise Agreement*, Sec. 8.3.

The Franchised Business must, at all times, be under the supervision of the Operating Owner and the on-site supervision of the Operating Owner or Manager. Franchisee must, at all times, employ a Manager, Lead Receptionist, Lead Stylist, and Lead Therapist (collectively with the Operating Owner referred to as the "Management Team"). However, one individual may serve in multiple roles so long as they have the appropriate skills, qualifications, and training as defined by the Brand Standards.

Your Management Team must attend and satisfactorily complete the applicable portions of our Onboarding Training to be properly trained to operate your Franchised Business according to our Brand Standards. If you replace any member of the Management Team, they must attend and satisfactorily complete the portions of the Onboarding Training that are applicable to their role.

The following individuals must sign a Guarantee, Indemnification, and Acknowledgement as set forth in Schedule 3 of the Franchise Agreement: (i) any individual who personally owns the Franchised Business; (ii) if the owner of the Franchised Business is any entity, any individual who owns a beneficial ownership interest, direct or indirect, in the Franchisee, including beneficial owners in a multi-tiered entity ownership structure; and (iii) the spouses of the individuals identified in (i) or (ii).

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those services and products that we have authorized, and you must sell all of the types of services and products that we require using our System and Proprietary Marks in accordance with our Brand Standards.

We may, from time to time, revise the System, Brand Standards, and contents of the Brand Standards Manual, including, without limitation, the Products and Services offered and sales and marketing strategies. You must accept, use, and display in your Franchised Business any such changes or modifications to the System as if they were part of the System at the time you entered into your Franchise Agreement. You must make such expenditures as the changes or modifications in the System may require. We will provide you with at least written notice at least 30 days prior to the required implementation of a new service or product. You must, at your own expense, install, use, and maintain any new furnishings, equipment, supplies, and inventory related to the new service or product. You must also begin marketing and promoting such new services or products as we reasonably require.

If any law, regulation, or ordinance in the state where your Franchised Business is located requires that any service only be provided by individuals with particular qualifications, certifications, or licensure, then your employees, independent contractors, or other staff must possess such qualifications, certificate, or license to perform that particular service.

We have the right to specify the prices, or minimum and maximum prices, for the services and products you offer and sell (“Minimum and Maximum Pricing”). You must strictly adhere to the Minimum and Maximum Pricing that we establish, subject to applicable law. We retain the right to modify the Minimum and Maximum Pricing from time to time at our reasonable discretion. You must participate in any system-wide advertising and promotional campaigns that we create, and you must comply with all of our policies regarding advertising and promotion, including the use and acceptance of coupons, gift cards, or incentive programs.

Your Franchised Business will be membership-based. To the fullest extent possible under applicable law, you must honor the memberships of customers of other Franchised Businesses by providing them with membership rates for services sought and obtained at your Franchised Business, or as otherwise provided in the Brand Standards, which may be modified at any time.

You may sell gift cards to be redeemed only at your Franchised Business. We may, at our sole discretion, modify the Brand Standards related to gift card redemption, including requiring you to redeem gift cards that we or other franchisees sell.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

The following table lists certain importation provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

	Provision	Franchise Agreement Section	Summary
a.	Length of Term	3.1	10 years
b.	Renewal or Extension	3.2 - 3.3	You may renew for an additional consecutive term of 10 years by signing a Successor Franchise Agreement prior to the expiration of your current Franchise Agreement. If you do not and you continue to operate, we may treat such continued operation, in our sole discretion, as (i) you operating without a license; or (ii) the current Franchise Agreement operating on a month-to-month basis wherein you agree to pay an additional 1% Royalty Fee and 1% Brand Fund Contribution over your then-current Royalty Fee and Brand Fund Contribution until one party provides 90-days notice to terminate the Franchise Agreement.
c.	Requirements for Franchisees to Renew or Extend	3.2	We may require, in our sole discretion, that any or all of the following conditions be met prior to a renewal: (a) you must provide us with written notice between 12 and 24 months before end of the current term; (b) modernize, renovate and upgrade the Franchised Business to current Brand Standards; (c) be in compliance with Franchise Agreement and have substantially complied throughout the term; (d) satisfy all monetary obligations to us; (e) have the right to continue to possess the Approved Site for the renewal term or obtain approval from us to relocate; (f) execute a Successor Franchise Agreement; (g) execute a general release of claims against Franchisor and its affiliates; (h) comply with our current qualification and training requirements; and (i) pay a renewal fee equal to 25% of current initial franchise fee, or \$10,000.00 if we are not selling franchises at that time.
d.	Termination by Franchisee	16.1	If you are not in material default of the Franchise Agreement, you may terminate the Franchise Agreement after providing us with 30-day written notice with grounds of the material breach and giving us an opportunity to cure (the cure period may be extended for 30 days when reasonably necessary). Any other termination is deemed to be without cause, and you will be in breach of the Franchise Agreement. After termination, with or without cause, you must comply with post-termination obligations and must not withhold or setoff any amounts due to us.

e.	Termination by Franchisor Without Cause	None.	None.
f.	Termination by Franchisor With Cause	16.1	We may terminate the Franchise Agreement with cause under the following categories: (a) the Franchise Agreement will automatically terminate without notice to you upon the occurrence of certain events; (b) we may terminate the Franchise Agreement without an opportunity to cure the default upon the occurrence of certain events; (c) we may terminate after giving you at least 10-days notice to cure upon the occurrence of certain events; and (d) we may terminate after giving you at least 30-days notice to cure upon the occurrence of any other default.
g.	“Cause” Defined – Automatic Termination	16.1(a)	You will be in default of the Agreement and must pay a \$500 default fee, along with other applicable fees and costs, if any of the following events occur, leading to automatic termination without notice: (a) insolvency or general assignment for the benefit of creditors; (b) filing or non-opposition to a bankruptcy petition; (c) being adjudicated bankrupt or insolvent; (d) appointment of a receiver or custodian for your assets by a court; (e) institution of proceedings for a composition with creditors; (f) a final judgment remains unsatisfied for thirty days or longer; (g) dissolution or liquidation of your business; (h) execution levied against your property or business; (i) institution of a suit to foreclose any lien or mortgage against the Approved Site or equipment, not dismissed within thirty days; (j) sale of real or personal property of any Franchised Business after levy by a governmental authority; and (k) failure to reopen the Franchised Business after damage, destruction, or a Force Majeure Event as per Section 17.4 of the Agreement.
h.	“Cause” Defined – Uncurable Defaults	Sections 16.2(b)	You will be in default, must pay a \$500 default fee, and we may terminate the Agreement without any opportunity to cure if any of the following occur: (a) failure to open within twelve months; (b) failure to complete training; (c) abandonment or cessation of business; (d) felony conviction; (e) health or safety threats; (f) unauthorized transfer; (g) non-compliance with covenants; (h) disclosure of Confidential Information; (i) failure to transfer after death/incapacity; (j) false records or reports; (k) default under other agreements; (l) repeated defaults; (m) unauthorized use of Marks; (n) fraudulent practices; (o) contesting our ownership; (p) misrepresentation or violation of laws; (q) unauthorized relocation; (r) understating revenue; and (s) any other material default causing irreparable harm.
i.	“Cause” Defined –	Section 16.2(c)	We may terminate the Agreement with a 10-day cure period by giving you written notice of default and termination, stating the nature of the default at least ten days prior to the

	Defaults Curable in 10 Days		effective date. You can avoid termination by curing the default, providing proof of cure, and paying a \$500 default fee within the 10-day period. If the default is not cured, the Agreement terminates immediately upon expiration of the 10-day period. This applies if you: (a) fail to pay amounts due; (b) fail to maintain required insurance; (c) fail to submit required documents or information; (d) fail to report Gross Revenues or sales information accurately; or (e) sell unauthorized merchandise, engage in unauthorized business, or use unauthorized Marks.
j.	“Cause” Defined – Defaults Curable in 30 Days	Section 16.2(d)	For any default not defined in Sections 16.2(a)-(c), we may terminate the Agreement with a 30-day cure period by giving you written notice of default and termination, stating the nature of the default at least thirty days prior to the effective date. You can avoid termination by curing the default, providing proof of cure, and paying a \$250 default fee within the 30-day period. If the default is not cured, the Agreement terminates immediately upon expiration of the 30-day period.
k.	Management Assumption	16.2(f)	We, or a designated third party, can manage the Franchised Business for up to 120 days if you abandon or fail to operate it, don't cure a default upon your death or incapacitation, or if we terminate the Agreement and are within our purchase option period. You must pay us \$500 per day plus out-of-pocket costs in addition to other fees. We will use reasonable efforts to manage the business and are not liable for debts or losses incurred during this period. This does not affect our other rights, including termination.
l.	Liquidated Damages	16.2(g)	If we terminate the Agreement due to your default or your termination without cause, you must pay us liquidated damages within 30 days. The amount will be the average monthly Royalties and Brand Fund Contribution due before termination, multiplied by either 36 or the remaining months in the Agreement, whichever is less, but not less than \$30,000. These liquidated damages are a reasonable approximation of our losses and do not affect our right to other payments or remedies.
m.	Franchisee Obligations Upon Termination or Expiration	16.3	Upon the expiration or termination of this Agreement for any reason, you must: (a) pay all amounts due within five days, including fees and costs; (b) satisfy all debts and liabilities associated with the business; (c) discontinue operations and use of the System, Brand Standards Manual, and Proprietary Marks; (d) cease displaying and using all materials bearing the Proprietary Marks; (e) return, delete, or destroy all materials, including Confidential Information; (f) de-identify the business by abandoning use of any assumed names and canceling or assigning all listings and identifiers; (g) assign the lease or de-identify the Approved Site, making necessary modifications; (h) avoid making any representations of association with us; (i) provide us with

			the option to purchase the business; (j) obtain appropriate tail insurance; (k) comply with all surviving obligations, including confidentiality and non-competition; and (l) follow any other procedures to minimize disruption.
n.	Transfer or Assignment of Contract by Franchisor	15.2	We have the absolute right to unconditionally transfer and assign this Agreement or any of our rights or obligations under this Agreement to any person or legal entity without prior notice to or consent from you, including operators of competing chains or franchise systems. We may sell our assets or interest in the Marks or System, offer our securities privately or publicly, merge, acquire or be acquired, undertake financial restructuring, or participate in any transfer of ownership interests. You waive any claims or damages against us arising from such transfers and any future liability under the assigned terms. Upon transfer, we are relieved of all liability, and you must look solely to the assignee for the performance of our obligations. We are not required to continue any business or offer services or products if we assign our rights in accordance with this provision.
o.	"Transfer" by Franchisee – Defined	1.23	"Transfer" refers to any action that involves selling, assigning, transferring, conveying, gifting, encumbering, mortgaging, granting a security interest in, or otherwise disposing of or encumbering: (a) any of your interest; (b) any ownership interest in your entity, including issuing new shares or admitting new owners; (c) any assets of the Franchised Business, including the lease or ownership of the Approved Site, except for asset replacement or improvement with our approval; (d) any transfer of this Franchise Agreement to a wholly-owned and controlled entity; and (e) any such action that occurs by operation of law.
p.	Franchisor Approval of Transfer by Franchisee	15.1(a)-(c)	You must get our written consent for any Transfer, as the franchise is personal to you. We relied on your qualifications when entering this Agreement. Our consent won't be unreasonably withheld, but we may require conditions to be met. To initiate a Transfer, provide us with 90 days' notice and a \$1,000 non-refundable deposit and request procedural instructions. Any Transfer without our consent is a breach and void. We have the right of first refusal.
q.	Conditions for Franchisor Approval of Transfer to a Third Party	15.1(d)	To get approval for a Transfer, you must meet the following conditions: (a) be in full compliance with the Agreement and Brand Standards Manual; (b) the Transfer must be at least one year after the business opened; (c) the transferee must have adequate financial resources and meet our criteria; (d) provide financial reports and data as requested; (e) if transferring assets, the transferee must acknowledge purchasing all assets and assuming liabilities; (f) if assigning the Agreement, the transferee must acknowledge

			being bound by all obligations; (g) the transferee must execute our current franchise agreement and related documents; (h) the transferee must agree to upgrade the business to our standards; (i) pay a transfer fee and our expenses; and (j) comply with all termination and post-termination obligations.
r.	Conditions for Franchisor Approval to Transfer to an Entity Wholly Owned or Controlled by Franchisee	15.(e)	You may transfer the Franchise Agreement to a corporation or business entity that you completely own and control, subject to the following conditions: (a) provide organizing documents showing the entity is newly organized, solely for operating the Franchised Business, with you as the sole owner; (b) acknowledge that the transfer does not release you from liability or waive any claims we may have; (c) continue to devote your best efforts to the business; (d) execute a document binding the transferee entity to the Franchise Agreement; (e) ensure you are the sole owner with complete authority; (f) pay a reduced transfer fee of \$1,500 and our incurred expenses; and (g) deliver updated ownership and guarantee documents.
s.	Transfer Upon Death or Incapacity	15.1(f)	If you pass away or become permanently incapacitated, and your surviving spouse or adult child is capable and willing to continue the business, they can do so by agreeing to our terms. If not, we can purchase your business assets at their "asset value" minus liabilities, with notification given within 90 days. The purchase price will be paid in cash or certified check, and if there is a dispute over asset value, an appraiser will be chosen. If you own the real estate, you may lease it to us at fair market value. Permanent incapacity is defined as a significant curtailment of participation for 60 days in any six-month period due to physical or intellectual incapacity.
t.	Franchisor's Right of First Refusal to Acquire Franchisee's Business	15.1(c)	If you receive a bona fide offer to buy your interest in the Franchised Business and want to accept it, you must notify us and provide a copy of the offer. We have 60 days to match the offer minus any fees and can pay in cash. If we decline and approve the transfer, you have 90 days to complete it. If not, the right of first refusal applies again.
u.	Franchisor's Option to Purchase Franchisee's Business	16.3(i)	Upon termination or expiration of the Franchise Agreement, we shall have the right to purchase your Franchised Business for the "asset value" minus liabilities. The purchase price will be paid in cash, and if there is a dispute over the asset value, an appraiser will be chosen. If you own the real estate, we may lease it from you at fair market value.
v.	Non-Competition and Non-Solicitation During the Term of the Franchise	14.2(a)	During the term of this Agreement, you, your direct and indirect owners, Guarantors, and their immediate family members cannot own, engage in, or have any interest in any competing business. You also cannot solicit business from your clients for competitive purposes, solicit our employees or other franchisees' employees to leave, have

			any interest in companies granting franchises for competing businesses, or attempt to gain an unfair advantage over other franchisees or us by defaming or making false statements.
w.	Non-Competition and Non-Solicitation Covenants After the Term of the Franchise is Terminated or Expires	14.2(b)	For two years after the expiration, nonrenewal, transfer, or termination of this Agreement, you, your direct and indirect owners, Guarantors, and their immediate family members cannot own, engage in, or have any interest in any competing business within a 15-mile radius of any Modern Halo Head Spa. You also cannot solicit business from your former clients, solicit our employees or other franchisees' employees to leave, have any interest in companies granting franchises for competing businesses, or attempt to gain an unfair advantage over other franchisees or us by defaming or making false statements. This period will be extended during any noncompliance.
x.	Modification of the Agreement	20.12	The Franchise Agreement can only be amended, modified, or rescinded through a written document signed by both you and an authorized representative of us. This does not apply to changes in the Brand Standards Manual, which we can modify unilaterally. The Agreement cannot be changed by course of dealing, special indulgences, or benefits we bestow on you, or by inference from conduct.
y.	Integration / Merger	20.11	The Franchise Agreement represents the entire understanding between us regarding the franchising of the Franchised Business at the Approved Site. There are no other promises or agreements beyond what is written here. Neither party has relied on any outside representations. Any changes must be in writing and signed by both parties. This does not disclaim representations made in the franchise disclosure document.
z.	Dispute Resolution by Internal Resolution, Mediation or Arbitration	18.1 – 18.4	For any dispute related to this Agreement, you must first notify us and attempt to resolve it internally within 30 days. If unresolved, the dispute must be mediated in the city of our headquarters, with each party bearing their own costs. Certain claims, like those for equitable relief or intellectual property, are excluded from mediation. If mediation fails, disputes must be submitted to binding arbitration in our headquarters city, with no class actions allowed. The arbitrator's decision is final, but they cannot award punitive damages. You cannot withhold payments or bring actions after one year. Both parties waive the right to a jury trial and class actions.
aa	Choice of Forum	18.5(b)	Any legal action related to the Franchise Agreement must be brought in the U.S. federal district court where our headquarters are located. If that court lacks jurisdiction, the action must be brought in the state court in the same area. Both parties consent to the jurisdiction of these courts, and this provision remains in effect even after the Agreement ends.

bb	Choice of Law	18.5(a)	The Franchise Agreement, the Franchise, and all related rights and duties will be governed by the laws of the State of Texas, except where federal law applies. This includes any disputes between the parties. However, the Franchise Agreement does not grant any specific protections under Texas law to franchisees who are not residents of Texas.
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**ITEM 18
PUBLIC FIGURES**

We do not currently use any public figures to promote our franchise.

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets if there is a reasonable basis for the information and if the information is included in the disclosure document. Financial performance information that differs from that included in 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.

These financial performance representations are based on the historic operating revenue and certain expenses of our affiliate, 3S-Head Spa I, LLC d/b/a Modern Halo Katy (“The Modern Halo Katy”), for its Head Spa located in Katy, Texas, for the periods of January 1, 2024 – December 31, 2024 (“FPR Period”). We obtained these historical financial results from the profit and loss statements and other operating reports submitted by The Modern Halo™ Katy, which opened in October 2023. As a result, this Financial Performance Representation represents the financial performance for our first outlet’s first full year of operations.

There are no other outlets operated by us, our affiliates, or anyone else that operated during the entire FPR Period. Our other corporate outlet, 3S-Head Spa II, LLC d/b/a Modern Halo Memorial, opened in November 2024. Neither we nor our certified public accountant have independently audited or verified the information. Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Table 19.1
The Modern Halo™ Katy Adjusted Net Income and Margin for the FPR Period

Gross Revenue¹	\$931,350
Payroll, including tips paid to staff²	\$560,297
Advertising and Promotion³	\$27,568
All Other Operating Expenses⁴	\$82,580
Net Income	\$260,905
Net Income Margin	28%
Royalty Fee Adjustments⁵	\$55,879
Brand Fund Contribution Adjustments⁶	\$9,311
Monthly Technology Fee	\$3,360
Adjusted Net Income	\$192,355
Adjusted Net Income Margin	20.65%

Notes:

1. “Gross Revenue” includes the aggregate of all revenues, sales, and other income of Franchisee from whatever source derived arising out of, in connection with, or related to Modern Halo™ Katy, deemed received at the time services or products were delivered or rendered, or at the time we collected, whichever came first. Gross Revenues reflect promotional pricing, as opposed to retail value, when we offer promotions that we approve. Gratuity received by your staff will be excluded from your Gross Revenue. However, gratuity to the staff at Modern Halo™ Katy is included in Gross Revenue in this line item due to the manner in which our accounting was set up in 2024. The following are also excluded from Gross Revenue calculations: (i) refunds made to customers; and (ii) sales, use, retail sales, and equivalent taxes that we collected on behalf of any government or other public body and actually remitted to such body.
2. “Payroll” includes wages, gratuity we paid to staff as part of their paycheck, and payroll taxes/withholdings. These figures exclude compensation expenses for owners, such as salaries, insurance, and entity distributions.
3. The Modern Halo™ Katy did not pay Brand Fund Contributions. As the first outlet, The Modern Halo™ Katy incurred expenses as a startup cost for “Advertising and Promotion” that would be considered Brand Fund Contribution expenses (e.g., website design, template asset and collateral development, regional public relations and marketing, and video production), Grand Opening Advertising, and Local Advertising costs (e.g., social media, web directories, influencer expenses, promotions, and printed in-store tangibles).
4. “All Other Operating Expenses” include all other operating expenses, such as costs of goods sold, POS expenses, facility maintenance, staff uniforms, insurance, utilities, and rent. The Modern Halo™ Katy pays reduced rent to occupy its Site because its indirect owners own the land and building where the site is located. Your rent or mortgage payments are likely to be substantially above these costs.

5. While The Modern Halo™ Katy did not pay Royalty Fees, we have adjusted these amounts to show how much it would have paid if they had operated under the Franchise Agreement.
6. While The Modern Halo™ Katy did not pay a Brand Fund Contribution, we have adjusted these amounts to show how much it would have paid if they had operated under the Franchise Agreement. Some of the “Advertising and Promotion” expenses would have been offset by this Brand Fund Contribution had we paid a Brand Fund Contribution.
7. While The Modern Halo™ Katy did not pay the Monthly Technology Fee, we have adjusted these amounts to show how much it would have paid if they had operated under the Franchise Agreement.

These are the results of The Modern Halo™ Katy Head Spa only. Your individual results may differ. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business before you sign a Franchise Agreement. There is no assurance that you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.

Other than the preceding historical representations, Modern Halo Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we or the current franchise owner 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 Christina Batson at 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058 and by phone at (281) 682-0410, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table 1
Systemwide Outlet Summary for Years 2022 – 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned	2022	0	0	0
	2023	0	1	+1
	2024	1	2	+1
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	1	2	+1

Table 2
Transfer of Outlets from Franchisees to New Owners (Other than Franchisor)
for Years 2022 – 2024

States	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0

Table 3
Status of Franchised Outlets for Years 2022 – 2024

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at the End of Year
Total (All States)	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

Table 4
Status of Company-Owned Outlets for Years 2022 – 2024

State	Year	Outlets at the Start of the Year	Outlets Opened	Reacquired from Franchisees	Sold to Franchisees	Outlets at the End of Year
Texas	2022	0	0	0	0	0
	2023	0	1	0	0	1
	2024	1	1	0	0	2
All other States	2022	0	0	0	0	0
	2023	0	0	0	0	0
	2024	0	0	0	0	0
Total	2022	0	0	0	0	0
	2023	0	1	0	0	1
	2024	1	1	0	0	2

Table 5
Projected Openings for 2025

State	Franchise Agreements Signed, but Outlet Not Opened	Projected New Franchised Outlet in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
Texas	0	0	1
Total	0	0	1

As a newly established franchisor, we currently do not have any operational non-company-owned franchised outlets. As a result, we do not have any contact information for current franchisees or franchisees who have had transferred outlets or who have had their franchise agreements terminated, canceled, non-renewed, or otherwise ceased operations for other reasons. This means that you will be among the first franchisees to join our System. While this presents a unique opportunity to be a pioneer in our brand's growth, it also comes with inherent risks associated with being an early adopter. You may wish to speak to one of the founders and owners of our company/affiliate-owned outlets. Her contact information is as follows: Christina Batson, Chief Executive Officer, 3S-Head Spa I - Katy, LLC d/b/a The Modern Halo Katy, 26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058, info@TMHfranchising.com, (281) 682-0410.

ITEM 21 FINANCIAL STATEMENTS

As a newly established franchisor in our first year of selling franchises, the FTC permits us to provide an unaudited opening balance sheet in lieu of financial statements audited in accordance with generally accepted accounting principles ("GAAP") for the most recent 3 years. Our unaudited opening balance sheet is attached hereto as Exhibit B.

ITEM 22 CONTRACTS

Attached are the following agreements that must be executed in conjunction with the purchase of a The Modern Halo™ Franchise:

- Exhibit A: Franchise Agreement and Exhibits, including
 - Schedule 1: Franchisee Specific Terms
 - Schedule 2: Statement of Franchisee Ownership
 - Schedule 3: Guarantee, Indemnification, and Acknowledgement
 - Schedule 4: Electronic Funds Transfer Authorization
- Exhibit B: Financial Statements
- Exhibit C: Brand Standards Manual Table of Contents
- Exhibit D: Contracts
 - D-1: Confidentiality and Non-Competition Agreement
 - D-2: Lease Addendum
 - D-3: General Release
- Exhibit E: Agents for Service of Process
- Exhibit F: State Effective Dates

ITEM 23 RECEIPTS

The last two pages of this Franchise Disclosure Document include our copy and your copy of the Franchise Disclosure Document Receipt. Please execute both copies and send our executed copy back to us. Keep your copy for your records.

EXHIBIT A
FRANCHISE AGREEMENT AND EXHIBITS, INCLUDING PERSONAL GUARANTY

THE MODERN HALO-HEAD SPA & DRY BAR™

FRANCHISE AGREEMENT

Franchisor:	Modern Halo Franchising, LLC
Franchisee:	
Territory:	
Date:	

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**THE MODERN HALO – HEAD SPA & DRY BAR™
FRANCHISE AGREEMENT**

This Franchise Agreement ("Agreement") is made effective as of the date set forth in Schedule 1 ("Effective Date") by and between Modern Halo Franchising, LLC, a Texas limited liability company with its principal place of business at 2617 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058 ("Franchisor"), and the Person(s) identified as the franchisee on Schedule 1 ("Franchisee"). Franchisor and Franchisee may be each referred to as a "Party" and collectively referred to as the "Parties." If Franchisee is a corporation, partnership, limited liability company, or other legal entity, certain provisions of this Agreement apply to its owners, jointly and severally.

RECITALS:

WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed, and continues to develop, a distinctive system relating to the establishment, opening, operation, and promotion of a "The Modern Halo – Head Spa and Dry Bar™" ("Head Spa"), which offers a serene escape where hair stylists and head spa therapists deliver holistic scalp treatments, head and neck massages, hair blowouts and styling, and hair product recommendations, and all of which may be changed, improved and further developed by Franchisor from time to time (the "System");

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, décor, color scheme, fixtures, and furnishings; standards and specifications for products and services; uniform standards, specifications, and procedures for operations; training and assistance; marketing methods; and advertising and promotional programs; all of which may be changed, improved and further developed by Franchisor from time to time;

WHEREAS, the System is identified by means of specific trade names, service marks, trademarks, trade dress, logos, emblems, and indicia of origin, including, but not limited to, the name THE MODERN HALO™ and THE MODERN HALO – Head Spa & Dry Bar™, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the "Proprietary Marks" or "Marks");

WHEREAS, Franchisee desires to enter into the business of operating a Head Spa under Franchisor's System and Proprietary Marks ("Franchised Business") and wishes to enter into an agreement with Franchisor for that purpose and to receive the training and other assistance provided by Franchisor in connection therewith; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearances, services, and products and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications;

NOW, THEREFORE, the Parties, intending to be legally bound, agree as follows:

1. DEFINITIONS

1.1 "Affiliate" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling Franchisee or Franchisor, as applicable. The term "control" means the power to direct or cause the direction of management and policies.

1.2 "Brand Standards" means Franchisor's prescribed or recommended standards, requirements, specifications, techniques, methods, policies, procedures, instructions, and rules relating to the

operation and management of the Franchised Business, as Franchisor may amend from time to time. By way of example, the Brand Standards include, but are not limited to, standards, requirements, specifications, techniques, methods, policies, procedures, instructions, and rules relating to the membership program, Products, Services, use of the Proprietary Marks, location demographics, interior and exterior designs, décor, and color schemes for the buildout and construction; certain furniture, fixtures, and equipment, business forms, sales techniques, marketing and advertising, and certain vendors and software programs.

1.3 “Brand Standards Manual” means collectively, all manuals, policies and procedures, guides, directives, books, pamphlets, bulletins, memoranda, letters, notices, computer media (i.e., computer software), or other publications documents, or electronic media prepared by or on behalf of Franchisor for use by Franchisees generally or for Franchisee in particular, that contain the Brand Standards, as Franchisor may amend from time to time.

1.4 “Confidential Information” means all of Franchisor’s trade secrets, Copyrighted Materials, methods, techniques, and know-how, including, but not limited to, proprietary and marketing information, the Brand Standards Manual, technical knowledge, research data, process, programs, designs, Products, Services, or marketing plans, financial or personal data, sales, supplier, customer, employee, or investor information, or the like, relating to the business affairs or operations of Franchisor or its franchisees, whether in oral, written, electronic, graphical, or other forms, provided that Confidential Information does not include any information that: (i) was publicly known and made generally available in the public domain prior to the time of disclosure by Franchisor; (ii) becomes publicly known and made generally available after disclosure by Franchisor through no action or inaction by Franchisee; or (iii) is required to be released or disclosed by law or judicial order.

1.5 “Computer System” means (1) back office (i.e., inventory management software and customer relationship management software) and point of sale systems, proprietary applications, mobile devices, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Franchised Business, between or among Franchised Businesses, and between and among Franchisee’s Franchised Business and Franchisor, Franchisor’s designee, and/or Franchisee; (2) physical, electronic, and other security systems; (3) printers and other peripheral devices; (4) archival back-up systems; (5) Internet access mode (e.g., form of telecommunications connection) and speed, and 6) existing or future technology components that Franchisor specifies from time to time in the Brand Standards Manual.

1.6 “Copyrighted Materials” refers to and includes all versions, variations, and adaptations of the following materials in tangible form, either produced by Franchisor or produced on its behalf as works for hire, or derived from works produced by or on behalf of Franchisor: (i) all manuals and training modules used in the Franchised Business’s development, operations, and marketing activities, including, but not limited to the Brand Standards Manual, (ii) training materials (including printed, audio, video, or electronic materials); (iii) plans and specifications; (iv) menu designs and graphics; (v) product identification posters, photographs, and graphics; (vi) advertising and marketing materials; (vii) labels, forms, and reports provided by Franchisor; (viii) any computer software developed for use in the operation of Franchised Business; (ix) all Trade Dress and Trade Dress elements; and (x) any other materials protected by copyright law or marked or identified by Franchisor as protected by copyright.

1.7 “Digital Media” means any content created, distributed, accessed, and consumed through

digital formats and technologies. This includes but is not limited to text, audio, video, graphics, and interactive content delivered via the Internet, Social Media platforms, mobile applications, Web Directories, and other digital channels. Digital Media encompasses online advertising, social media marketing, email campaigns, websites, operational communications, and any other form of digital communication used to promote and manage the franchise.

1.8 “Franchised Business” means the licensed business owned and operated by Franchisee under this Agreement for the establishment and operation of one Head Spa under the Proprietary Marks and in accordance with the System.

1.9 References in this Agreement to “Franchisor” with respect to all of its rights and all of Franchisee’s obligations to Franchisor under this Agreement, including any of Franchisor’s Affiliates with whom Franchisee deals.

1.10 “Gross Revenue” means the aggregate of all revenues, sales, and other income of Franchisee from whatever source derived, regardless of whether collected by Franchisee or collected in the form of check, cash, credit, charge, account, barter, exchange, or otherwise, arising out of, in connection with or related to the Franchised Business, including, without limitation, (a) income from the sale of all Services and Products sold at, from, or through the Franchised Business, whether or not sold or performed at the Head Spa that Franchisee operates, including the full redemption value of any pre-paid Services or Products, such as membership credits, gift cards, and gift certificates (fees retained by or paid to third-party sellers of gift cards, gift certificates, or coupons are not excluded from this calculation); and (b) all proceeds from any business interruption insurance.

The following are excluded from “Gross Revenue” calculations: (i) all refunds made in good faith to a customer (except reductions for credit card user fees, returned checks, and reserves for bad credit or doubtful accounts will be included in Gross Revenue); (ii) any sales, use, retail sales, and equivalent taxes which are collected by Franchisee for or on behalf of any governmental or other public body and actually remitted to such body; and (iii) any tips received by Franchisee’s staff (e.g., hair stylists and head spa therapists). Franchisor reserves the right to institute policies in the Brand Standards Manual or otherwise in writing from time to time.

Gross Revenues shall be deemed received by Franchisee at the time the Services or Products from which they were derived are delivered or rendered, or at the time collection takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer’s personal check) actually has been received by Franchisee. Gross Revenues consisting of Services and Product sales shall be valued at the retail price applicable and in effect at the time they are provided unless Franchisor approves discounts.

1.11 “Head Spa” shall mean the retail location where The Modern Halo™ Services are provided and Products are sold. Hair stylists and head spa therapists deliver Services such as hair washing, holistic scalp treatments, head and neck massages, hair blowouts, hair styling, and hair product recommendations. Additionally, the location sells hair Products.

1.12 “Management Team” means Franchisee’s Operating Owner, Lead Receptionist, Lead Stylist, and Lead Therapist.

1.13 “Other Alternative Channels of Commerce” include, but are not limited to, television, electronic delivery systems, catalogs or other mail order devices, and telephonic or electronic communications.

1.14 “Owner” means each person or entity holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Franchisee, including any person or entity who has a direct or indirect interest in Franchisee, this Agreement, or the Franchised Business, or has any other legal or equitable interest or the power to vest themselves in any legal or equitable interest in their revenue, profits, rights, or assets.

a. “Principal Owner” means each Owner with an ownership interest equal to or greater than twenty-five percent (25%) in the Franchised Business or the Franchisee (if the Franchisee is a business corporation, partnership, limited liability company, or other legal entity).

b. “Operating Owner” means a Principal Owner, appointed by Franchisee and approved by Franchisor, who must supervise and manage all aspects of Franchisee’s business and to deal exclusively with Franchisor and its staff for purposes of administering and coordinating the relationship created by this Agreement. Franchisee’s first Operating Owner is identified in Schedule 1.

c. “New Owner” means a Franchisee who has purchased an existing Franchised Business to own and operate a Head Spa that is already open on the Effective Date.

d. “Renewal Owner” means a Franchisee who renewed its rights granted under a franchise agreement with Franchisor after the initial term expired.

1.15 “Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

1.16 “Products” means all supplies, material, equipment, and ancillary items sold, leased, prepared, or otherwise approved by Franchisor in connection with the Franchised Business or associated with the Marks.

1.17 “Proprietary Marks” or “Marks” means the trademarks, THE MODERN HALO™ and THE MODERN HALO – Head Spa & Dry Bar™, together with such other trademarks, service marks, trade names, distinctive names, commercial symbols, and related logo designs and insignia, which Franchisor may designate from time to time as part of the System, and not hereinafter withdrawn.

1.18 “Services” means the sale or promotion of professional head spa, dry bar, and other services to the general public and through membership-based programs, which Franchisor approves, and any related activities in connection with the Franchised Business and associated with the Marks.

1.19 “Social Media” shall include social media, file-, audio-, and video-sharing sites, or such other Internet or online media communication methods that Franchisor approves in writing, in its sole discretion (e.g., Facebook, LinkedIn, Twitter, Instagram, Flickr, Tumblr, Pinterest, Google+, Vine, TikTok, Snapchat, YouTube, and blogs).

1.20 “Supplier” shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors.

1.21 “System” means the Brand Standards Manual, operational guidelines, opening guidelines, ongoing training programs, business methods, designs, and know-how for developing and operating the Franchised Business, including those pertaining to conversion, site selection, construction, building design, signage and layouts, trade dress, equipment, inventory, specifications for products and services, delivery, training, accounting, and financial performance, advertising and marketing programs, and information technology, all of which Franchisor may improve, further develop, or

otherwise modify from time to time.

1.22 “Trade Dress” means decorative, nonfunctional components of a Franchised Business that establish a distinctive, memorable appearance.

1.23 “Transfer” shall mean to sell, assign, transfer, convey, gift, encumber, mortgage, grant a security interest in, or otherwise dispose of or encumber: (a) all or any of the Franchisee’s interest, (b) all or any ownership interest in Franchisee, if Franchisee is an entity, including, but not limited to, issuing any further shares, membership interests, or partnership interest in the Franchisee’s capital (except to the principals) or admitting new owners, shareholders, partners, or members; (c) all or any assets of the Franchised Business, including the lease for or ownership of the Approved Site (except to replace, upgrade, or improving the asset for the continuation of the Franchised Business by Franchisee, or to decommission the asset with the Franchisor’s approval or in accordance with the Brand Standards); (d) all or any transfer of this Franchise Agreement and the rights and obligations hereunder to a corporation or other business entity that is completely owned and controlled by Franchisee; and (e) all or any such sale, assignment, transfer, conveyance, gift, encumbrance, or other disposal that occurs by operation of law.

1.24 “Technology” means hardware, software, systems, and processes for use in the Franchised Business, including, without limitation, telephone systems, network, internet, intranet, sound systems, platforms, credit card payment systems, gift card systems, communications, the Computer System, and existing or future technology components that Franchisor specifies from time to time in the Brand Standards Manual.

1.25 “Web Directories” mean online platforms that categorize and list websites and businesses based on specific criteria, such as industry, location, or type of service. These directories help users find relevant information and businesses by organizing listings into structured categories. Examples of web directories include Google Business Profile, Yelp, and Yellow Pages. Web directories are used to enhance online visibility, improve search engine rankings, and facilitate user access to business information.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise

a. *Grant.* Franchisor grants to Franchisee a license to own and operate a Franchised Business, and Franchisee accepts the license for the Franchised Business and the obligation, upon the express terms and conditions set forth in this Agreement, to develop and operate the Franchised Business and to offer and sell approved Services and Products, using the System and Proprietary Marks in accordance with the Brand Standards Manual.

b. *Franchised Business Rights.* The Franchised Business includes the following rights and licenses (“License”):

i. Authorization to establish and operate one Franchised Business within the Territory and at the Approved Site as defined and specified in Schedule 1 of this Agreement.

ii. Authorization to advertise and promote the Franchised Business, using the Proprietary Marks and the System in accordance with the Brand Standards Manual, subject to Section 9 below.

iii. Authorization to market, offer, and sell only Franchisor's approved Services and Products at the Approved Site or within Franchisee's Territory for promotional events.

2.2 Modification of System. Franchisor may from time to time, in its sole discretion, modify the Proprietary Marks and System. If Franchisor modifies the Proprietary Marks and System, Franchisee agrees to promptly accept and comply with any such modifications and make reasonable expenditures as may be necessary to comply.

2.3 Contingencies. Franchisee's right to the License is contingent upon Franchisee's full compliance with all federal, state, and local laws, rules, and regulations and Franchisee's timely procurement and maintenance of all permits, certificates, and licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, trade name registrations, and sales tax permits.

2.4 Rights Not Granted. Franchisee agrees that this Agreement and Franchisee's License does not afford Franchisee the right to engage in the following activities unless Franchisor approves such activity in writing, which shall be granted or denied in Franchisor's sole and absolute discretion:

- a. Establish and operate the Franchisee's Franchised Business outside the Territory or at a location other than the Approved Site.
- b. Establish and operate additional Head Spas. Franchisor has the sole discretion to grant Franchisee the right to open any additional Head Spas, each of which will be governed by a separate then-current form of the franchise agreement.
- c. Sub-license or sub-franchise any of the rights granted in this Agreement.
- d. Market, offer, or sell products or services that Franchisor has not approved.
- e. Directly or indirectly, through the Internet or Alternative Channels of Commerce:
 - i. solicit customers outside of Franchisee's Territory;
 - ii. sell Products, Services, or Gift Cards beyond the Approved Site or beyond Franchisee's Territory for promotional events;
 - iii. advertise, promote, or use the Proprietary Marks outside of Franchisee's Territory; or
 - iv. sell Products, Services, or Gift Cards to any vendor for resale.

3. TERM AND RENEWAL

3.1 Term. This Franchise Agreement and the License shall become effective on the Effective Date and shall expire ten (10) years from the Effective Date ("Term"), except as otherwise provided in this Franchise Agreement.

3.2 Renewal. Subject to the following conditions, the Franchisee may renew the rights granted under this Agreement for an additional consecutive term of ten (10) years. Franchisor may require, in its sole discretion, that any or all of the following conditions be met prior to such renewal:

- a. *Notice.* Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than twelve (12) months nor more than twenty-four (24) months prior to the end of the then-current term;
- b. *Modernize.* Franchisee shall make or provide for, in a manner satisfactory to Franchisor,

such renovation and modernization of the Approved Site and upgrades to the Technology of the Franchised Business as Franchisor may reasonably require, including, without limitation, installation of new equipment, renovation of signs, furnishings, fixtures, décor, and upgrade of Technology hardware, networks, and software applications, to reflect the then-current standards and image of the System;

c. *Compliance.* Franchisee and all of its affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates; and Franchisee and all of its affiliates shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

d. *Financial Obligations.* Franchisee and all of its affiliates shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates under this Agreement and shall have timely met those obligations throughout the term of this Agreement;

e. *Possession of Approved Site.* Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Approved Site for the duration of the renewal term (including without limitation providing Franchisor with a complete copy of Franchisee's lease and all exhibits and amendments thereto) or shall obtain Franchisor's approval of a new location for the Franchised Business for the duration of the Renewal Term in accordance with the relocation terms in Section 6.7 of this Agreement;

f. *Successor Franchise Agreement.* Franchisee shall, at Franchisor's option, execute Franchisor's then-current form of franchise agreement (but only for such renewal terms as are provided by this Agreement) ("Successor Franchise Agreement"), which shall supersede this Franchise Agreement in all respects, and the terms of which may differ from the terms of this Franchise Agreement including, without limitation, a higher royalty fee and advertising contribution and a smaller or modified Franchisee's Territory, except that Franchisee shall not be required to pay any initial franchise fee (but shall be required to pay the renewal fee set forth in Section 3.2.i hereof);

g. *General Release.* Franchisee shall execute, and shall cause each of its affiliates to execute, a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees;

h. *Qualifications and Training.* Franchisee shall comply with Franchisor's then-current qualification and training requirements; and

i. *Renewal Fee.* Franchisee shall pay Franchisor a renewal fee in the amount of twenty-five percent (25%) of Franchisor's then-current initial franchise fee, or ten-thousand dollars (\$10,000) if the Franchisor is not selling franchises at that time.

3.3 Failure to Timely Renew. If Franchisee does not sign a Successor Franchise Agreement prior to the expiration of this Agreement and continues to accept the benefits for this Agreement after the expiration of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (i) expired as of the date of expiration with the Franchisee then operating without a License to do so in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("Month-to-Month License") until one Party provides the other with written notice of such Party's intent to terminate the Agreement, in which case the Month-to-Month License will terminate ninety (90) days after receipt

of the notice to terminate the Agreement. Should Franchisor elect to the Month-to-Month License option, all obligations of the Franchisee under this Agreement shall remain in full force and effect, except that during the Month-to-Month License period, Franchisee agrees to pay an additional one percent (1%) Royalty Fee and an additional one (1%) Brand Fund Contribution over Franchisee's then-current Royalty Fee and Brand Fund Contribution Fee.

4. FRANCHISEE'S TERRITORY

4.1 Franchisee's Territory and Exclusive License. Except as otherwise provided in this Agreement and subject to Franchisor's Retained Rights in Section 4.2 below, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Franchised Business within Franchisee's Territory. Franchisee is prohibited from transferring the License to an alternative territory, without the prior written approval of Franchisor, which Franchisor may approve or deny in its sole discretion.

4.2 Exceptions; Franchisor's Retained Rights. Franchisee's License is exclusive. However, Franchisor and its affiliates retain all rights that this Agreement does not expressly grant or confer upon Franchisee, on any terms and conditions Franchisor deems advisable, and Franchisor has no obligation to pay Franchisee if Franchisor exercises any of its retained rights within Franchisee's Territory. Franchisor's retained rights include, without limitation, all of the following rights:

- a. The right to open, own, or operate, and license others to open, own, or operate a Franchised Business outside of Franchisee's Territory;
- b. The right to withdraw the protection of Franchisee's Territory and offer Modern Halo™ Franchises to open and operate within Franchisee's Territory if Franchisee is not in compliance with the Agreement during the Term;
- c. The right to open, own, or operate, and license others to open, own, or operate other businesses under other systems using other trademarks, whether located or operating inside or outside of Franchisee's Territory;
- d. The right to establish other distribution channels to sell products, services, and gift cards to customers anywhere, including within Franchisee's Territory, using the Internet or Alternative Channels of Commerce. Such products, services, and gift cards may be identical to, similar to, or competitive with the products, services, and gift cards in Franchisee's Franchised Business. Franchisor is not required to compensate Franchisee for soliciting, advertising, promoting, or selling products, services, and gift cards inside Franchisee's Territory.
- e. The right to communicate directly with any of Franchisee's customers for the purpose of monitoring Franchisee's performance and compliance with the terms of the Franchise Agreement.
- f. The right to modify the membership model and require Franchisee to accept membership service credits of members of other Franchised Businesses.
- g. The right to use the Proprietary Marks anywhere, including inside Franchisee's Territory, and to operate and use any websites using a domain name using the words "Modern Halo™," "Head Spa," "Dry Bar," and/or derivatives of those terms.
- h. The right to advertise on the Internet and use the Proprietary Marks on the Internet, including all websites, domain names, URLs, directory addresses, metatags, linking, and other

arrangements.

i. The right to open, own, or operate, and license others to open, own, or operate Franchised Businesses in captive locations, whether located or operating inside or outside of Franchisee's Territory, including college campuses, airports, train stations, hotels, corporate campuses, and departments within existing retail stores.

j. The right to be acquired or become controlled (regardless of the form of the transaction) by a business providing products or services similar to those provided in the Franchised Business, or by another business, even if such business operates, franchises, and/or licenses competitive businesses.

k. The right to operate or grant any third party the right to operate any Franchised Business that Franchisor or its designees acquire as a result of the exercise of a right of first refusal or purchase right that Franchisor has under the Franchise Agreement, or any other franchise agreement.

l. The right to offer, sell, open, and operate a Franchised Business inside the Territory at any time following the expiration or termination of Franchisee's Franchise Agreement.

m. The right to engage in any activities not expressly prohibited by the Franchise Agreement.

5. FEES AND PAYMENTS

5.1 Initial Franchise Fee. In consideration of the Franchisee receiving the opportunity to establish the Franchised Business, and conduct it at the Approved Location, the Franchisee shall pay to the Franchisor, upon execution of this Agreement, an initial, non-recurring, non-refundable franchise fee by cashier's check or wire transfer in the amount as set forth in Schedule 1 and, if due and payable, all applicable federal, state, or municipal taxes ("Initial Franchise Fee"). The Initial Franchise Fee is non-refundable and shall be deemed fully earned by the Franchisor upon the execution of this Agreement by the Franchisor in consideration of the grant by it to the Franchisee of the opportunity to establish the Franchised Business as provided herein the administrative costs and other expenses incurred by Franchisor in granting this Franchise, and Franchisor's lost or deferred opportunity to enter into this Agreement with others.

5.2 Head Spa Startup Kit. When Franchisee signs the lease or purchase agreement for the Head Spa, Franchisee shall purchase from Franchisor a package of shampoo tables and initial inventory back bar soaps (shampoo, conditioner, leave-in conditioner, hair oil, and eye masks) necessary for the opening of the Franchisee's Franchised Business ("Head Spa Startup Kit"). The Head Spa Startup Kit Fee will vary depending on the size of Franchisee's Head Spa. The Head Spa Startup Kit Fee shall be paid to Franchisor by cashier's check or wire transfer within fifteen (15) days of Franchisee signing the lease or purchase agreement for the Head Spa. The Head Spa Startup Kit Fee shall be deemed fully earned by Franchisor and is non-refundable under any circumstance. Franchisee shall be responsible for additional furniture, equipment, inventory, and other expenses necessary to construct and open the Head Spa.

5.3 Technology Setup Fee and Monthly Technology Fee. Upon the execution of this Agreement, Franchisees must pay Franchisor a non-refundable, non-recurring Technology setup fee of \$1,110.00 for the initial setup of the Local Page and Local Email ("Technology Setup Fee") as further set forth in Sections 9.4 and 9.5 of this Agreement. Additionally, beginning the first (1st month) after execution

of this Agreement, Franchisee must pay Franchisor a non-refundable, monthly, ongoing Technology fee, which is currently \$280 per month, for the ongoing maintenance of the Website, including the Local Page, and Local Email (“Monthly Technology Fee”). Franchisor may increase the Monthly Technology Fee from time to time as set forth in Sections 8.9 and 9.7 of this Agreement.

5.4 Royalty Fee and Brand Fund Contribution.

a. *Royalty Fee.* In return for the ongoing rights and privileges granted to the Franchisee hereunder, Franchisee shall pay to Franchisor, throughout the Term of this agreement, a monthly royalty fee of six percent (6%) of Franchisee’s Gross Revenues for the prior month (“Royalty”).

b. *Brand Fund Contribution.* Throughout the Term of this agreement, the Franchisee shall contribute a monthly fee to the Brand Fund (“Brand Fund Contribution”) for advertising and promotion as specified in Section 9.2. The Brand Fund Contribution shall be a percentage of Gross Revenue receipts during the preceding month as set forth in the following table:

Time Period	Brand Fund Contribution
Year 1 and 2: Commencing on the sixty-first (61st) day following the opening of the Head Spa and continuing through the end of the second (2nd) year of operation.	1% of Gross Revenues
Year 3 and 4: Commencing on the first (1st) day of the third (3rd) year of operation of the Head Spa and continuing through the fourth (4th) year of operation.	2% of Gross Revenues
Year 5 – 10: Commencing on the first (1st) day of the fifth (5th) year of operation and continuing through the end of the Term.	3% of Gross Revenues

c. *Gross Revenue Reporting Due Date.* On the fifth (5th) day of each month, Franchisee shall submit to Franchisor a point-of-sale system report on the Franchisee’s Gross Revenues from the prior month, along with a Profit & Loss Statement.

d. *Royalty and Brand Fund Contribution Due Date.* The Royalty and Brand Fund Contributions are payable on the eighth (8th) day of each month for the Franchisee’s Gross Revenue receipts from the preceding month. If the date on which a Royalty and Brand Fund Contribution payment would otherwise be due is not a business day, the payment shall be due on the next business day.

e. *Franchisor’s Retained Rights.* Franchisor reserves the right, upon notice to Franchisee: (i) to obtain access to Franchisee’s point-of-sale system account to determine Franchisee’s Gross Revenue without the necessity of Franchisee submitting a report; (ii) to collect Royalty and Brand Fund Contribution on a different frequency, such as weekly or bi-weekly; (iii) to modify the date of collection of the Royalty and Brand Fund Contribution; (iv) to modify the frequency of Franchisee’s submission of Profit & Loss Statements; and (v) to charge such other one-time or recurring fees from time-to-time.

5.5 No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay the Royalty, Brand Fund Contribution, or any other fee or charge due to Franchisor.

5.6 Payments.

a. *EFT Authorization.* Unless this Agreement provides for another method of payment for a specific fee or amount due, Franchisee shall remit Royalties, Brand Fund Contributions, and other fees and amounts due to Franchisor under this Agreement or prescribed in the future via electronic funds transfer (“EFT”) from Franchisee’s designated bank or financial account(s) (“Bank Account”). Simultaneous with the execution of this Agreement, Franchisee shall complete and execute the EFT Authorization Form, attach as Schedule 4. In the event Franchisee changes its Bank Account, Franchisee shall, prior to such change, provide such information concerning the new Bank Account and an authorization to make withdrawals therefrom. Franchisee's failure to provide such information concerning the Bank Account or Franchisee's withdrawal of consent to withdrawals for whatever reason and by whatever method shall be a breach of this Agreement.

b. *Additional Payment Authorizations.* Franchisee shall authorize and direct Franchisee’s bank or financial institution to transfer via EFT, or through some other method of payment designated by Franchisor, directly to the account of Franchisor or its affiliates and to charge the Bank Account of Franchisee all amounts due to Franchisor and/or its affiliates from Franchisee. Franchisee’s authorizations shall permit Franchisor and/or its affiliates to designate the amount transferred from Franchisee’s Bank Account, to initiate debit entries, and to make credit correction entries to a designated Bank Account for payment of fees and other amounts payable to Franchisor and any interested charged due thereon.

c. *Other Designated Methods of Payment.* If Franchisor notifies Franchisee to use another payment method at any time, including, but not limited to, direct debit or other similar means that Franchisor requires designates from time to time, Franchisee agrees to comply with procedures specified by Franchisor and/or perform such acts and deliver and execute documents necessary to accomplish the alternative payment method. Franchisee acknowledges and agrees that Franchisor has the right to require Franchisee to pay either by EFT or through some other method of payment designated by Franchisor, regardless of whether Franchisor imposes the same requirement on other Franchisees. Additionally, Franchisor reserves the right to require Franchisee to make any or all payments under this Agreement to an affiliate of Franchisor.

d. *Sufficient Account Balance.* Franchisee shall maintain a sufficient balance in its Bank Account to allow Franchisor and its affiliates to collect the amounts owed to them when due. Franchisee shall be responsible for any penalties, fines, or other similar expenses associated with the transfer of funds.

e. *Application of Payment.* Notwithstanding anything contained in this Agreement, upon the failure of Franchisee to pay to Franchisor as and when due any amounts of money provided for herein, Franchisor shall have the right at its election to deduct any and all such amounts remaining unpaid from any monies or credits held by Franchisor for the account of Franchisee. No endorsement or statement on any check or payment of any sum less than the entire sum due to Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction. Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. All payments by Franchisee will be applied in such order as Franchisor may designate from time to time. Franchisee agrees that it may not designate an order for the application of any fees different from that designated by Franchisor and expressly acknowledges and agrees that Franchisor may accept fees paid pursuant to different instructions without any obligation to follow such instructions, even if such payment is made by its terms conditional on such instructions being followed. This

provision may be waived only by written agreement signed by Franchisor, which written agreement must be separate from the check or other document or medium constituting or transmitting payment.

5.7 Late Gross Revenue Reporting. Any Gross Revenue Report not actually received by Franchisor on or before the Gross Revenue Report due date described in Section 5.4.c. of this Agreement shall be deemed overdue. If any Gross Revenue Report is overdue for any reporting period, then for any payment due under this Agreement that is based on Gross Revenue, Franchisee authorizes Franchisor, at Franchisor's option, to debit Franchisee's Bank Account one hundred ten percent (110%) of the last applicable payments that Franchisor debited. If the amounts that Franchisor debits from Franchisee's Bank Account are less than the amounts that Franchisee actually owes (once Franchisor has determined Franchisee's true and correct Gross Revenues), Franchisor will debit Franchisee's Bank Account for the balance on any day Franchisor specifies. If the amount that Franchisor debited from Franchisee's Bank Account is greater than the amount Franchisee actually owed, Franchisor will credit the excess against the amount Franchisor would otherwise debit from Franchisee's Bank Account on the next payment due date.

5.8 Late Payments. To encourage prompt payment and to cover costs and expenses involved in handling and processing late payments, if any payment is overdue, interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full. Franchisee shall pay interest to Franchisor, in addition to the overdue amount, at a rate of the greater of: (a) 1.5% per month (18% per year), or (b) the highest commercial contract interest rate applicable by law. Franchisee must pay Franchisor \$100 if the bank or financial institution dishonors any payment for any reason, including insufficient funds. Entitlement to such late charges shall be in addition to any other remedies Franchisor may have. Franchisee shall not be entitled to set off any payments required to be made against any monetary claim it may have against Franchisor.

6. TRAINING, SITE SELECTION, CONSTRUCTION, AND OPENING

6.1 Onboarding Training

a. *Pre-Opening Onboarding Training.* Franchisor shall provide Franchisee's Management Team with an initial training course ("Onboarding Training"). The Onboarding Training shall consist of an orientation on the business model and phases of the System, including delivery of services, operations, and advertising and sales techniques. The Onboarding Training is typically conducted at Franchisor's headquarters but may be held at Franchisee's Head Spa or another Head Spa and may include some self-study and virtual training courses. Franchisee's Management Team must attend and successfully complete Franchisor's Onboarding Training to Franchisor's satisfaction within sixty (60) days after the Effective Date.

b. *Transfer Onboarding Training.* If the Head Spa was already open and operating on the Effective Date (e.g., the Franchised Business was transferred/resold), on or before the thirtieth (30th) day after the Effective Date, the following individuals must attend and satisfactorily complete Franchisor's Onboarding Training: (i) Franchisee's Operating Owner; (ii) any new members of the Management Team; and (iii) any existing members of the New Owner's Management Team who have not completed the Onboarding Training in the prior twenty-four (24) months. Franchisee must pay Franchisor a Transfer Onboarding Training fee of \$2,000 no later than the Effective Date ("Transfer Onboard Training Fee").

c. *Additional Management Staff Fee.* Franchisee may elect to have additional management-level staff attend one or more elements of the Onboarding Training (“Additional Staff Training”) at Franchisor’s then-current training fee (currently, \$500 per person).

d. *Enhanced Training.* If any member of Franchisee’s Management Team or Franchisee’s Training Director fails to satisfactorily complete the Onboarding Training, which shall be determined in Franchisor’s sole discretion, Franchisor reserves the right to require such individual to attend enhanced training (“Enhanced Training”). In that case, Franchisee may be required to pay Franchisor its then-current training fee (currently \$500 per day) for the Enhanced Training. Franchisor will provide Enhanced Training at the times and locations that Franchisor determines. If any member of the Management Team does not satisfactorily complete the Enhanced Training, which shall be determined in Franchisor’s sole discretion, Franchisor reserves the right to terminate this Franchise Agreement.

e. *Training Time and Location.* Franchisor will provide Onboarding, Additional and Enhanced Training at the times and locations that Franchisor determines.

f. *Cost and Expenses.* Franchisee is responsible for all costs and expenses Franchisee’s Management Team incurs in connection with the Onboarding and Enhanced (if applicable) Training, including but not limited to travel, lodging, meals, employee/contractor/trainee wages, and other similar expenses.

g. *Conditional Participation.* Franchisor may condition participation in Onboarding Training on Franchisee: (i) expending the required amounts on advertising and pre-opening sales activities Franchisor designates or otherwise approve in connection with Franchisee’s Grand Opening Marketing Plan (if applicable); (ii) undertaking all steps to establish and provide Franchisor with access to conduct Electronic Fund Transfers (“EFT”) to/from Franchisee’s bank account, including providing a signed and completed copy of the EFT Authorization Form, attached as Schedule 4; (iii) demonstrating that Franchisee has obtained all required insurance coverages as set forth Section 13 of this Agreement; (iv) and providing Franchisor with completed and signed copies of all agreements and contracts that are attached as Schedules 1 - 4 (collectively, the “Training Conditions”).

6.2 Pre-Opening and Opening Assistance.

a. *New Head Spas.* Franchisor shall provide a representative experienced in the System to assist Franchisee at Franchisee’s Approved Site for a maximum of five (5) days, including three (3) days immediately preceding the opening, the opening day, and the day after the opening of the Franchised Business (“Onsite Assistance”). If Franchisee requests additional Onsite Assistance, or if Franchisor determines, in its sole discretion, that Franchisee requires additional Onsite Assistance, then Franchisee must pay an Onsite Assistance extension fee in the amount of the then-current Onsite Assistance Fee (currently \$500 per day) as well as for all travel, lodging, and meal expenses incurred by Franchisor’s representatives (“Onsite Assistance Extension Fee”).

b. *Transfers.* If the Head Spa was already open and operating on the Effective Date (e.g., the Franchised Business was transferred/resold), Franchisor does not provide Onsite Assistance for Franchisee. If the Franchisee requests Onsite Assistance at its Franchised Business once the Transfer is finalized, Franchisee must pay an Onsite Assistance fee in the amount of the then-current Onsite Training Fee (currently \$500 per day) as well as for all travel, lodging, and meal expenses incurred by Franchisor’s representatives (“Transfer Onsite Assistance Fee”).

6.3 Ongoing Training by Franchisor.

a. *Refresh and Rollout Training.* Franchisor may provide Franchisee's Management Team with up to five (5) days of refresher training per year in aggregate, which may occur in increments over the course of the year ("Refresh Training"). Refresh Training may be required or optional at Franchisor's sole discretion. Additionally, Franchisor may provide Franchisee with additional training as the Brand Standards are updated or new products, services, or protocols are rolled out ("Rollout Training"). As applicable to the topic, Franchisee's Management Team members must attend Required Refresh and Rollout Training. Refresh and Rollout Training may occur telephonically, virtually, through an online platform at the Franchised Business, at Franchisor's headquarters, or at another Head Spa, depending on the topic and the reason for the training.

b. *New Management Team Member.* If Franchisee appoints any new member of its Management Team, the new Management Team member is required to attend and satisfactorily complete the Onboarding Training, which will be determined in Franchisor's sole discretion, as applicable for their specific position, before assuming the responsibility for the management of and training at Franchisee's Franchised Business.

c. *Franchise Conference.* From time to time, Franchisor may hold an annual conference or business meeting of all franchisees (up to 4 days per year) ("Franchise Conference"). If Franchisor holds a Franchise Conference, the Franchisee's Operating Owner, at minimum, must attend the Franchise Conference at a location Franchisor designates and pay the then-current non-refundable per person conference or business meeting fee ("Conference Fee") (currently \$500 per person). Franchisee agrees and understands that Franchisor has the right to debit the Franchisee's Operating Owner's Conference Fee via EFT from the Franchisor's Bank Account by the EFT Authorization Form, attached hereto as Schedule 4, or as amended thereafter. If Franchisee's Operating Owner fails to attend the Franchise Conference, Franchisee will forfeit the non-refundable Conference Fee. Depending on the scope of the individuals invited by the Franchisor, Franchisee's Management Team and other employees may also attend the Franchise Conference so long as the Franchisee pays the per-person Conference Fee for its attendees. Franchisee will be responsible for all travel, lodging, meals, and similar expenses and any wages for the Operating Owner and any employees who attend.

6.4 Location and Approved Site. Franchisee must operate its Franchised Business only at the Approved Site within Franchisee's Territory, as further described in Schedule 1. Franchisee shall not change the location of the Franchised Business without the prior written approval of Franchisor, which Franchisor may grant or deny in its sole discretion. The location where the Franchised Business is operated, is referred to as a "Head Spa."

6.5 Site Selection Process.

a. *Site Selection Guidelines.* Franchisor will provide Franchisee with written site selection guidelines and criteria and assist Franchisee in selecting a location for the Franchised Business.

b. *Proposed Location.* Franchisee must select a proposed location for the Franchised Business within the Territory and receive written approval from the Franchisor of the proposed location within ninety (90) days after the Effective Date or such longer time frame specified by Franchisor in writing. Franchisor has the right to require that Franchisee, at Franchisee's expense, use a real estate broker or other site selection services provider to assist Franchisee in finding a location.

c. *Site Submission and Approval.* Upon identification of a proposed location, Franchisee must submit to Franchisor a complete report containing the documents and information Franchisor requires to assess the proposed location's compliance with the written site selection criteria, including, but not limited to, the address, square footage, site demographics, proximity to other businesses, the proximity of competition from other businesses providing similar services and products, traffic patterns, allowed design and construction, parking, visibility, allowed signage, and zoning restrictions ("Proposed Site Submission"). Franchisor will make reasonable efforts to accept or deny the proposed location within fourteen (14) days from receipt of all the requested information. Franchisor has the right to grant or withhold approval of any proposed location in its business judgment. If Franchisor does not respond to Franchisee's Proposed Site Submission within fourteen (14) days, the Proposed Site Submission shall be deemed disapproved. If Franchisor disapproves the proposed location, Franchisee must provide Franchisor with another Proposed Site Submission based upon another proposed location.

d. *No Promise of Success.* Franchisee acknowledges and agrees that Franchisor's consent to the location and any information communicated to Franchisee regarding the standard site selection criteria for Franchised Businesses does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the location for a Franchised Business, Head Spa, or any other purpose. Franchisor's recommendation of, or consent to, the location indicates only that Franchisor believes that the location falls within the acceptable criteria for locations that Franchisor has established as of the time of the consent to the location. Franchisee acknowledges and agrees that Franchisee's selection of the location is based on Franchisee's own independent investigation of the suitability of the location and that Franchisor's approval is not a guarantee or promise of success.

e. *Approved Site.* Upon Franchisor's approval, the location will be referred to as the Approved Site. If the location has not been approved as of the Effective Date, Schedule 1 to this Agreement will be amended within thirty (30) days of Franchisor's approval of the location.

6.6 Purchase or Lease of the Approved Site.

a. *Deadline.* Franchisee must purchase or lease the location of the Approved Site within one-hundred and twenty (120) days after the Effective Date. Failure to sign a lease or purchase agreement for the Approved Site within this time frame constitutes grounds for immediate termination of this Agreement and the loss of Franchisee's non-refundable Initial Franchise Fee.

b. *Lease Terms.* Franchisee agrees that any lease for the location must be in a form and substance satisfactory to Franchisor and must include all of the following provisions:

- i. Franchisee's right to occupy the Approved Site for the Term of this Agreement;
- ii. Franchisee's right to use the Approved Site for the operation of a Franchised Business;
- iii. Franchisee's right to exclusivity within the property to operate a business that primarily engages in head spa or dry bar services;
- iv. Franchisee's right to display the Proprietary Marks according to the specifications in the Brand Standards Manual, subject to applicable law;
- v. Franchisee may not assign the Lease or sublet the Approved Site without Franchisor's prior written consent, and Landlord will not consent to an assignment or sublet by Franchisee

without first verifying that Franchisor has given its written consent to Franchisee's proposed assignment or sublet;

vi. Franchisee's right to assign the Lease, without further consent by landlord, or with consent which shall not be unreasonably withheld, to (a) Franchisor; (b) Franchisor's affiliate or successor; or (c) another franchisee of Franchisor or Franchisor's affiliate or successor ("Designated Assignee"), provided such Designated Assignee meets the qualification standards of the landlord as of the date of the Lease.

vii. The landlord's obligation to provide Franchisor with notice of lease term and option expirations concurrently with any notice provided to the Franchisee;

viii. The landlord's obligation to provide Franchisor with notice of Franchisee's default under the lease concurrently with any notice of default provided to the Franchisee;

ix. Franchisor's right to, at its option, cure the Franchisee's default under the lease within ten (10) days of the Franchisee's cure period if the Franchisee fails to cure, and a Designated Assignee has the right, at Franchisor's option, to assume the lease in the event of Franchisee's default under the lease;

x. Franchisor's right to enter the leased Approved Site without the landlord's interference, including the right to enter the Approved Site upon termination or expiration of the lease to de-identify the Approved Site as a Head Spa; and

xi. The landlord's consent to Franchisee and Franchisor to take the necessary action to comply with this Agreement's post-termination obligations and exercise post-termination rights hereunder.

c. *Franchisor's Right to Review.* Franchisor has the right, but not the obligation, to review and approve the terms of any lease or purchase agreement for the Approved Site, and Franchisee agrees to deliver a copy of the lease or purchase agreement before it is signed. Franchisee may not execute a lease or purchase agreement or any modification thereof without allowing Franchisor to assert its right to review and approve the lease or purchase agreement terms. Should Franchisor exercise its right, Franchisor will review and approve Franchisee's proposed lease within ten (10) days of submission to Franchisor.

d. *Franchisor's Disclaimer.* Franchisee is solely responsible for negotiating the lease or purchase agreement's specific business and legal terms. Franchisor's approval of the lease or purchase agreement does not constitute a warranty or representation of any kind, express or implied, as to its fairness, suitability, or as to Franchisee's ability to comply with its terms. Franchisor does not, by approving the lease or purchase contract, assume any liability or responsibility to Franchisee or to any third party. Such approval indicates only that Franchisor believes that the location and certain lease or purchase agreement terms fall within the Franchisor's acceptable criteria for a Franchisee's lease or purchase agreement at the time of the approval. Franchisee further acknowledges that Franchisor has advised Franchisee to seek legal counsel to review and evaluate the lease.

e. *Copy to Franchisor.* Franchisee must deliver a copy of the fully signed lease or purchase agreement to Franchisor within thirty (30) days of its execution.

6.7 Relocation.

a. *Relocation Request.* Franchisee may relocate the Approved Site of the Franchised Business, at Franchisee's sole expense, upon Franchisor's written approval before closing the Head Spa at the Approved Site. Franchisor's approval or denial of Franchisee's proposed relocation under this Section will be within Franchisor's sole discretion. Should Franchisee seek to relocate its Franchised Business, Franchisee must use the site selection process outlined in Section 6.5 ("Site Selection Process") for Franchisee's proposed new location and obtain Franchisor's written acceptance of the relation to the proposed location. In addition to the criteria for approval of the Site identified in the Site Selection Process:

i. The new proposed location must be within Franchisee's Territory and must not infringe on another territory or negatively impact another Head Spa,

ii. Franchisee must submit written documentation showing that its current lease has expired or is terminated for a reason other than Franchisee's default, or the current Approved Site was destroyed, condemned, or otherwise rendered unusable,

iii. Franchisee must be in compliance with all terms and conditions of this Agreement,

iv. Franchisee must have the funds available to relocate the Head Spa, construct a new Head Spa according to the Franchisor's then-current design standards, and do so within a time period acceptable to Franchisor.

b. *Relocation Conditions.* If Franchisor approves the relocation of the Head Spa under this Section:

i. The new location will be considered the "Approved Site" as used in this Agreement;

ii. Franchisee must comply with the Site Purchase or Lease terms in Sections 6.6 of this Agreement;

iii. Franchisee must pay \$10,000 as a relocation fee no later than sixty (60) days before opening the Head Spa in the new location to cover costs by Franchisor in connection with any such acceptance, evaluation, and relocation of the Head Spa;

iv. Franchisee must cooperate with Franchisor to preserve client goodwill with impacted clients, including issuing full or partial refunds or other accommodations to customers, facilitating their migration to Franchisee's new Site or other Head Spas, and paying any costs or fees associated with such migration; and

v. Franchisor will have the right to (a) condition Franchisor's consent upon the payment of an agreed minimum Royalty Fee should the Franchised Business have a period that is not operating and (b) require Franchisee to sign Franchisor's then-current form of the franchise agreement to replace this Agreement or any other documents Franchisor may require, including a general release in favor of Franchisor.

6.8 Development and Construction.

a. *Construction and Development Standards.* Franchisor shall make available, at no charge to Franchisee, required and suggested standard architectural plans and specifications for fixtures, furnishings, and signs for the Approved Site, including exterior and interior dimensions, layout, design, image, décor and operating assets ("Construction and Development Standards"). Franchisor will also advise and assist Franchisee in constructing and equipping the Approved Site

as may be reasonably required.

b. *Compliance with the Law.* Franchisee acknowledges that such Construction and Development Standards shall not contain the requirements of any federal, state, or local law, code, or regulation (including, without limitation, those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities).

c. *Franchisee Cost.* Franchisee shall construct or renovate and equip the Approved Site at Franchisee's own expense in conformity with the Construction and Development Standards.

d. *Franchisee's Drawings and Specifications.* Before commencing any renovation or construction of the Approved Site, Franchisee, at its expense, shall adapt the preliminary plans and drawings that Franchisor provides to Franchisee under Section 6.8.a above by having prepared draft and final architectural drawings and specifications of the Approved Site by licensed architect or engineer ("Drawings and Specifications"). Franchisee shall ensure that the Drawings and Specifications suit the shape and dimensions of Franchisee's location and comply with all applicable state, federal, and local laws, codes, regulations, ordinances, building codes, and permit requirements and with lease requirements and restrictions. The cost of plans, designs, drawings, and specifications, any commissions or broker's fees payable by Franchisor to find or secure the Approved Site and/or Franchisee, and all costs and expenses pertaining to the construction and equipping of the Approved Site shall be borne exclusively by Franchisee.

e. *Drawing and Specification Submission.* Franchisee must submit the draft and final Drawings and Specifications to Franchisor for prior written approval. Upon Franchisor's approval of Franchisee's Drawings and Specifications, Franchisee shall not thereafter change or modify the approved Drawings and Specifications without the prior written approval of Franchisor.

f. *Franchisor Disclaimer.* Franchisor's review and approval only concerns the Construction and Development Standards. Franchisor will not review the plans, specifications and drawings for compliance with any federal, state or local laws, codes or regulations including, without limitation, the applicable provisions of the ADA regarding the construction, or the design and operation of the Franchised Business. Franchisor shall have the right to inspect the construction and development of the Approved Site at all reasonable times. Franchisor does not, by approving Franchisee's plans or specifications or inspecting the location, assume any liability or responsibility to Franchisee or any third parties. Such approvals and inspections are solely to assure compliance with the Construction and Development Standards.

g. *Franchisee's Obligations and Costs.* Franchisee agrees to do or cause to be done the following at its sole cost and expense: (1) ensure that all applicable laws, building codes, permit requirements, and lease requirements and restrictions are complied with in connection to such construction; (2) obtain all required building, utility, sign, sanitation and business permits and licenses and any other required permits and licenses; (3) construct all required improvements to the Approved Site and decorate the Approved Site in compliance with the Development and Construction Standards approved by Franchisor; (4) subject to the provisions hereof, purchase or lease and install all fixtures, equipment, and signs required for the Approved Site by Franchisor; and (5) present a chose contractor and contractor's tender for approval by Franchisor and retain and compensate all contractors, subcontractors, or other professionals required in connection with the construction and development of the Approved Site.

6.9 Licenses and Permits. Franchisee must at all times maintain Franchisee’s Approved Site and conduct operations in compliance with all applicable laws, regulations, codes, ordinances, building codes, health codes, the American Disabilities Act (“ADA”), the Occupational Health and Safety Administration (“OSHA”), the Environmental Protection Act (“EPA”), and all applicable laws, rules and orders concerning any pandemic or public health crisis. Franchisee must secure and maintain in force all required licenses, permits, clearances, and certificates relating to the Franchised Business, including certificates of occupancy and health; hair salon, health club, or massage therapy establishment licenses; re-zoning, land use, Sunday sale, sales tax and use, fire department, health, alarm, occupational, and wastewater permits; occupational licenses, including any required cosmetology, esthetician, and/or massage therapy license for Franchisee’s employees issued by a state agency or certification board; and special sales tax stamps, which may be required by federal, state, or local laws, ordinances, or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to the Approved Site or required by the lessor.

6.10 Furniture, Fixtures, Equipment, Signs, Technology, Supplies, and Inventory.

a. *Interior Buildout.* Franchisee shall, at Franchisee’s sole cost and expense, complete the interior buildout of the Approved Site by purchasing or leasing, installing, maintaining, and using in its operations the Buildout Items and Inventory and Supplies, including Required Items approved by Franchisor as set forth in Section 8.5 of this Agreement.

b. *Technology Assistance.* Prior to Franchisee opening the Franchised Business Head Spa, Franchisor will assist Franchisee with Franchisee’s Technology setup by providing Franchisee with the Brand Standards specifications, Approved Suppliers for the required Technology, its Local Page, and up to five (5) Local Email addresses. Prior to opening the Franchised Business and throughout the Term of this Agreement, Franchisee shall purchase, install, use, and maintain the Technology at its own cost in accordance with the specifications, methods, procedures, and techniques as specified in the Brand Standards Manual.

c. *Required Items and Approved Suppliers.* Franchisor may require Franchisee to purchase Required Items from its approved suppliers (“Approved Suppliers”) or Franchisor, or its affiliate, as set forth in Section 8.5 of this Agreement. Required Items that Franchisee must purchase from Franchisor, or its affiliates include, without limitation, the Head Spa Startup Kit, Local Page, and the Local Email. Franchisee must purchase the POS System from an Approved Supplier.

d. *Interior Specifications.* While Franchisee may purchase other Required Items from any supplier, Franchisee must follow Franchisor’s required minimum specifications as set forth in the Brand Standards Manual relating to but not limited to, the following: (i) site layout; (ii) color scheme; (iii) quantity and location placement of dry bar, head spa table, sink stations; (iv) business insurance, (v) computer hardware; (vi) sound system(s); (vii) type and volume of music; (viii) certain styling tools (such as brushes, combs); and (ix) ancillary supplies (such as linens, pillows, inventory and supply carts).

6.11 Commencement of Operations.

a. *Open in 12 Months.* Franchisee must open and commence the operation of its Head Spa at the Approved Site within twelve (12) months of the Effective Date (“Opening Deadline”). If Franchisee purchases multiple Franchised Businesses on the Effective Date, Franchisee must open the second Franchised Businesses within twelve (12) months from the Opening Deadline (“Second Opening Deadline”), the third Franchised Business within (12) months from the Second Opening

Deadline, and so on with all Franchised Businesses opened within twelve (12) months of the opening deadline of the prior Franchised Business.

b. *Conditions to Open.* Franchisee may not open its Head Spa without Franchisor's written authorization, which will be conditioned upon the following: (i) Franchisee's complete payment of all initial fees and other payments owed to Franchisor; (ii) Franchisor's determination that the Franchised Business meets Brand Standards; (iii) the satisfactory completion of Franchisor's Onboarding Training Program by Franchisee's Management Team; (iv) Franchisee has provided to Franchisor all certificates and policies of required insurance as set forth in Section 13; (v) Franchisee has obtained and placed all Required Items in its Head Spa; (vi) Franchisee has sufficient staff to operate the Franchised Business.

c. *Extension.* If Franchisee does not open the Head Spa and operate the Franchised Business within twelve (12) months, then Franchisor may terminate this Agreement. However, Franchisor will not terminate this Agreement if Franchisee demonstrates that it is making Reasonable Efforts to open the Head Spa, and the Parties mutually agree to amend the opening deadline in good faith. Reasonable Efforts shall mean the following as applicable to the stage in which Franchisee requests an extension: (i) Franchisee has actively engaged a real estate broker who is looking for Sites; (ii) Franchisee is actively engaged in lease negotiations; (iii) Franchisee has commenced construction, which has been delayed for reasons beyond Franchisee's control such as regulatory authority permitting delays or extreme weather conditions; and (iv) there is a delay in the delivery of Franchisee's Required Items, which are beyond Franchisee's control, such as supply chain issues.

d. *Renewals and New Owners.* Renewal Franchisees and New Owners are expected to continue the operation of the Franchised Business on the Effective Date without interruption in daily operations.

7. SYSTEM AND BRAND STANDARDS MANUAL

7.1 Franchisee's Access to and Compliance with Franchisor's Brand Standards.

a. *Franchisee's Access to the Brand Standards Manual.* At or before the time of the Onboarding Training and throughout the Term, Franchisor will provide Franchisee with its Brand Standards Manual in an electronic or other form determined by Franchisor from time to time. The Brand Standards and Brand Standards Manual shall constitute provisions of this Agreement. In the event of a dispute about the contents of the Brand Standards Manual, the master copies maintained by Franchisor at the principal offices will control.

b. *Compliance with the Brand Standards Manual.* Franchisee must conduct the Franchised Business strictly in accordance with all of the provisions set out in the Brand Standards Manual. Franchisee acknowledges that compliance with the Brand Standards Manual is necessary to protect Franchisor's reputation and goodwill of the Proprietary Marks, and to maintain the uniform quality of operation through the System. Franchisee agrees not to deviate from the Brand Standards.

7.2 System Standards and Modification of System.

a. *System Modifications.* Franchisor may, from time to time, revise the System, Brand Standards, and the contents of the Brand Standards Manual, including, without limitation, the

required equipment, supplies, signage, the building and design of the Approved Site of the Franchised Business (including the trade dress, decor, and color schemes), the presentation of the Proprietary Marks, sales and marketing strategies, accounting and reporting systems and forms, administrative forms and methods of reporting and of payment of any monies owed to Franchisor (including electronic means of reporting and payment), insurance requirements, operating procedures, Products and Services offered, and Proprietary Marks or Copyrighted Materials. Franchisee must accept and use or display in the Franchised Business any such changes or modifications to the System as if they were a part of the System at the time this Agreement was executed, and Franchisee will make such expenditures as the changes or modifications in the System may require.

b. *Effective Date of Brand Standards Manual Modifications.* Except as otherwise provided below or in writing by Franchisor, any additions, deletions, or modifications to the Brand Standards Manual shall be effective five (5) business days after Franchisor has provided Franchisee with notice of the revisions. Any additional required Product or Service that Franchisor introduces into the System must be offered for sale on a continuous basis at the Franchised Business at the time and in the manner required by Franchisor.

c. *New Products or Services.* Franchisor shall provide Franchisee with at least thirty (30) days prior written notice of any new required Product or Service introduced in the System. New required Products or Services may require Franchisee to purchase at its own expense, install, use, and maintain new furnishings, equipment, supplies, and inventory at the time and manner required by Franchisor. Franchisee must begin marketing and promoting new Products and Services at the Franchised Business as reasonably required by Franchisor.

d. *Variations from Brand Standards.* Franchisor has the right to waive, defer, or permit variations from the Brand Standards or the applicable agreement to any franchisee or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population, whether the requested variation meets Franchisor's standards for aesthetics, quality, functionality, reputation, and dependability, or any other condition or circumstance without providing the same or any variations to Franchisee. Within a reasonable time period (usually 30 days), Franchisor shall have the right to deny any such request in its sole discretion.

e. *Franchisee's Development of System Improvements.* If Franchisee develops any new concepts, processes, or improvements relating to the System, whether or not pursuant to a Franchisor's authorized test, Franchisee must promptly notify Franchisor and provide Franchisor with all information regarding the new concepts, processes, or improvements, all of which shall, at Franchisor's option, automatically become the property of Franchisor and its affiliates and which may be incorporated, in Franchisor's sole discretion, into the System without any payment to Franchisee. If Franchisor elects, Franchisee, at its expense, must promptly take all actions deemed necessary or desirable by Franchisor to vest in Franchisor's ownership of such concepts, processes, or improvements.

8. OPERATION OF THE FRANCHISED BUSINESS

8.1 Independent Contractor. The Parties hereby acknowledge and agree that each is an independent contractor, that no party shall be considered to be the agent, representative, master, or servant of any other party hereto for any purpose whatsoever, and that no party has any authority to

enter into any contract, assume any obligations or to give any warranties or representations on behalf of any other party hereto. Nothing in this Agreement shall be construed to create a relationship of employment, agency, partners, joint venturers, fiduciaries, or any other similar relationship among the Parties. Franchisee agrees to identify itself conspicuously in all dealings with customers, suppliers, public officials, personnel, and others as the owner of the Franchised Business under a franchise granted by Franchisor and to place notices of independent ownership on the forms, business cards, stationery, advertising, emails, and other materials Franchisor requires from time to time. Franchisor shall have no right to hire or fire any of Franchisee's employees or independent contractors or to exercise any control over those employees or independent contractors, all of whom will be entirely under Franchisee's control and direction, and Franchisee will be responsible for their acts and omissions.

8.2 Maximum Operations. During the Term, Franchisee must use the Approved Site solely for the operation of the Franchised Business. Franchisee must: (a) maintain sufficient furnishings, equipment, inventory, supplies, products, and staff at the Franchised Business to meet the anticipated volume of business, (b) continuously operate the Franchised Business, (c) ensure the safety and security of the Franchised Business customers, (d) use its best efforts to operate Franchised Business its maximum capacity and efficiency for the minimum number of days and hours set forth in the Brand Standards Manual, or as Franchisor otherwise prescribes in writing (subject to the requirements of local laws and licensing); (e) sell or offer for sale only those Services and Products authorized by Franchisor; and (f) sell and offer for sale all of the types of Services and Products that Franchisor require, unless Franchisor otherwise agrees in writing in its sole and absolute discretion. However, Franchisee is not required to meet any sales quotas.

8.3 Head Spa Site Standards.

a. *Layout and Design of the Approved Site.* Franchisee must at all times comply with Franchisor's Brand Standards regarding the Head Spa's physical facilities, including the layout of the Head Spa, the layout of the equipment, furnishings, fixtures, head spa and dry bar areas, waiting rooms, restrooms, and front desk area. Franchisee must maintain the Head Spa and parking areas in good and safe condition, as specified in the Brand Standards Manual.

b. *Health, Safety, and Occupational Standards.* Franchisee must meet and maintain the highest health, safety, and occupational standards and rating applicable to the operation of the Franchised Business. Franchisee must furnish to Franchisor, within five (5) days of receipt thereof, a copy of all inspections, reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state, or municipal agency with jurisdiction over the Franchised Business. Without limiting the foregoing, Franchisee and all personnel must obtain and maintain all necessary and required licenses and certificates for providing head spa and dry bar services as may be required by applicable local rules and regulations and the Brand Standards Manual.

c. *Maintenance.* Franchisee must continuously operate the Franchised Business and constantly maintain the Approved Site and all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, the building interior and exterior, interior and exterior lighting, and supplies in first-class condition and repair in accordance with Brand Standards, including all ongoing and necessary remodeling, redecorating, refurbishing, and repairs. In addition, Franchisee must promptly and diligently perform all necessary maintenance, repairs,

and replacements to the Approved Site and Franchised Business as Franchisor may prescribe from time to time. Franchisee must not make any material alterations to the Approved Site or Franchised Business that affect operations or the image of the System without Franchisor's written approval. Franchisee acknowledges and agrees that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of all Head Spas in the system, to assist the Franchised Business to compete effectively in the marketplace, and to avoid deterioration or obsolescence of the operation of the Franchised Business.

d. *Equipment and Supplies Upgrades.* Franchisee must make, from time to time, such upgrades and other changes to the equipment and supplies utilized in the Franchised Business, as Franchisor may request in writing ("Equipment and Supplies Upgrades"). Franchisor will have the right to require any Equipment and Supplies Upgrades it deems necessary for the Franchised Business.

e. *Modernization.* From time to time, Franchisee must, at Franchisee's sole expense, remodel, modernize, and redecorate the Franchised Business, including the Approved Site's internal and external construction, design, furniture, fixtures, equipment, and décor, so that the Franchised Business reflects Franchisor's then-current standards as to image and quality, including any new image, Products, or Services that Franchisor deems appropriate in its sole discretion ("Modernization" or "Modernize"). Franchisee acknowledges that this obligation could result in Franchisee making extensive structural changes to and significantly remodeling, renovating, modernizing, and redecorating the Approved Site and/or in Franchisee spending substantial amounts for such Modernization of its Franchised Business. Franchisee agrees to incur, without limitation, any capital expenditures required to comply with this obligation and Franchisor's requirements (even if those expenditures cannot be amortized over the remaining Term). Franchisor shall not request Franchisee to Modernize the Franchised Business sooner than seven (7) years after the later of: (a) the date that Franchisee commenced construction-related work for the initial construction of the Franchised Business; or (b) the date that Franchisor required the most recent Modernization to be completed at the Franchised Business. Franchisee will perform all remodeling in compliance with the Brand Standards. All replacement designs, furniture, fixtures, equipment and décor must be approved by Franchisor in writing; must conform to Franchisor's then-current Standards, and where Franchisor so requires, must be purchased from Approved Suppliers Franchisor designates or approves in writing. Franchisee must complete all Modernization within a reasonable time after its beginning but in no event longer than three (3) months after Franchisee begins the Modernization. The requirements in this Section are in addition to the requirements for continuing maintenance and minor refurbishments.

8.4 Customer Relations. Franchisee will use its best efforts to ensure customer satisfaction and will conduct business in good faith and fairness with customers, potential customers, referral sources, suppliers, and creditors. Except as otherwise specified by Franchisor in the Brand Standards Manual or otherwise in writing, Franchisee must immediately resolve any customer complaints regarding the quality of Products, Services, and/or cleanliness of the Franchised Business or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee must make reasonable efforts to resolve the customer complaints as soon as possible. Franchisee must, whenever feasible, give the customer the benefit of the doubt. Franchisee must handle all customer complaints in a courteous and professional manner. If Franchisor determines that its intervention is necessary or

desirable to protect the System or the goodwill associated with the System, or if Franchisor believes that Franchisee has failed to address or resolve any customer complaints adequately, Franchisor may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving customer complaints, which amount Franchisee must immediately pay on demand.

8.5 Sourcing Restrictions and Supplier Rebates/Bonuses.

a. *Required Items.* Franchisor requires specific furniture, fixtures, cabinetry, equipment, interior and exterior signage, and Technology (including the point-of-sale system) (collectively, "Buildout Items") as well as specific inventory and supplies (collectively, "Inventory and Supplies") as part of the Brand Standards (required Buildout Items, Inventory, and Supplies shall collectively be referred to as "Required Items"). Franchisee shall, at Franchisee's sole cost and expense, purchase or lease, install, maintain, and use in its operations only those Required Items that Franchisor has approved and specified in its Brand Standards Manual, or otherwise in writing, and required by this Agreement.

b. *Approved Suppliers and Purchases from Franchisor.* Franchisor may require Franchisee to purchase such Required Items from its approved suppliers ("Approved Suppliers"). Required Items that Franchisee must purchase from Approved Suppliers identified in the Brand Standards Manual, or otherwise in writing from Franchisor, include, without limitation, (i) furniture, fixtures, and cabinetry; (ii) interior and exterior signage; (iii) Technology (including the point-of-sale system); (iv) furniture and equipment for each dry bar; (v) hair styling tools and products (such as dryers, styling irons, and hair spray); (vi) uniforms; (vii) graphic design services; (viii) digital and printed advertising services and materials; (ix) bags and packaging items; (x) stationery; and (xi) gift cards and certificates. Franchisor may require Franchisee to purchase such Required Items from Franchisor or its affiliates. Franchisee must purchase from Franchisor, or its affiliates Required Items specified in the Brand Standards Manual, or otherwise in writing, including, without limitation, shampoo tables and initial inventory back bar soaps (shampoo, conditioner, leave-in conditioner, hair oil, and eye masks).

c. *Other Purchases.* While Franchisee may purchase other Required Items from any supplier, Franchisee must follow Franchisor's required minimum specifications as set forth in the Brand Standards Manual. Franchisor reserves the right to require, at any time, that any of these items be purchased from Approved Suppliers or Franchisor or its affiliates. At this time, Franchisor will provide Franchisee with written notice of the change.

d. *Standards for Installation, Maintenance, and Use.* Franchisee must purchase, install, maintain, and use in its operations these Required Items in a manner that meets Franchisor's aesthetic, quality, and functionality specifications as set forth in the Brand Standards Manual, or otherwise in writing, including without limitation as set forth in this Agreement. Franchisee further agrees to only place or display at the Approved Site (interior and exterior) such signs, emblems, lettering, logos, and display materials that are from time to time approved in writing by Franchisor.

e. *System Modifications.* Franchisee acknowledges and agrees that from time to time, Franchisor may modify the list of Required Items and Approved Suppliers or require Franchisee to purchase Required Items from Franchisor or its Affiliates. Franchisee may not, after receipt of notice of such modification, reorder any type, brand, or model from any supplier, which is no

longer approved.

f. *Approval of Alternative Required Items or Suppliers.* Franchisee may request a modification of the Brand Standards relating to the type, brand, or model of furniture, fixtures, equipment, inventory, signs, supplies, or other Required Items and/or approved suppliers by sending Franchisor sufficient information in writing, including specifications or samples. Within a reasonable time period (usually 30 days) after receiving such information, Franchisor will grant or deny the request, at its sole discretion, based on whether the item or service maintains consistency with and meets Franchisor's standards for brand aesthetics, quality, and functionality as well as the supplier's dependability, general reputation, and ability to provide sufficient quantity of product or services. Franchisor may require Franchisee to pay Franchisor a reasonable fee to compensate Franchisor for the time and resources it spends in evaluating the proposed modification, which may vary depending on administrative expenses in evaluating the request and its complexity. Should Franchisor approve the request, Franchisor may, with or without cause, revoke its approval of any supplier or otherwise revise its supplier approval process at any time by written notification.

g. *Purchasing Arrangements.* Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may (i) negotiate purchase arrangements, including price terms; and (ii) establish one or more strategic alliances, purchasing and/or distribution cooperatives or preferred vendor programs with one or more suppliers who are willing to supply all or some of the franchisees with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of the Franchised Business. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System. Franchisor shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell products to Franchisee. Franchisor may charge a surcharge to Franchisee on any items purchased from approved suppliers for Franchisor's role in managing the purchasing and distribution contracts for the System.

h. *Allowances.* Franchisor and its affiliates may receive revenue or other consideration as a result of Franchisee's purchases of goods or services from Franchisor, its affiliates, or third-party suppliers. Franchisor and its affiliates have the right to retain any revenue that Franchisor or they receive as a result of Franchisee's purchases of goods and services. Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively, "Allowances") offered by suppliers to Franchisee or to Franchisor or its affiliates based upon Franchisee's purchases of products and other goods and services. These Allowances are based on System-wide purchases of Required Items or recommended items. Franchisee assigns to Franchisor or its designee all of Franchisee's right, title, and interest in and to any and all such Allowances and authorizes Franchisor or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier).

i. *Obligations to Suppliers.* Franchisee must comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a supply and distribution

arrangement, as well as Franchisee's contracts with and obligations to suppliers. Franchisee must promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such supplier(s) on behalf of Franchisee, and Franchisee must promptly reimburse Franchisor for such payment following notice from Franchisor, or Franchisor may obtain payment through the electronic process described in Section 5.6 above and the Brand Standards Manual.

8.6 Restrictions on Products and Services.

a. *Products and Services Standards.* Products sold and Services performed under the Proprietary Marks have a reputation for quality. This reputation has been developed and maintained by Franchisor, and it is of the utmost importance to Franchisor, Franchisee, and all other franchisees of Franchisor that this reputation be maintained. In recognition of the mutual benefits that come from maintaining the reputation for quality enjoyed by the System, Franchisee covenants and agrees, with respect to the operation of the Franchised Business, that Franchisee and its employees must comply with all of the requirements of the System as set forth in the Brand Standards Manual or otherwise. To ensure that the highest degree of quality of Products and Services is maintained, Franchisee must operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Brand Standards Manual. or otherwise in writing. Therefore, Franchisee will:

i. Maintain sufficient supply, and use and/or sell at all times, only such Products and Inventory and Supplies as conform to Franchisor's Brand Standards, and refrain from deviating therefrom by the use or offer of any nonconforming items without Franchisor's specific, prior, written consent.

ii. Sell or offer for sale only such Products and Services as have been expressly approved in writing by Franchisor; sell or offer for sale all such Products and Services, utilizing the Brand Standards; refrain from any deviation from Franchisor's Brand Standards, including the manner of providing and selling the Products and Services, without Franchisor's prior written consent; and discontinue selling, offering for sale, and providing any products or services which Franchisor shall have the right to disapprove, in writing, at any time. If Franchisee deviates or proposes to deviate from Franchisor's Brand Standards, whether or not such deviation is approved by Franchisor, such deviation will become the property of Franchisor.

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

iv. Purchase and install, at Franchisee's expense, all Buildout Items as Franchisor shall specify; and refrain from installing Buildout Items or other items not previously approved without Franchisor's prior written consent.

v. Fully and faithfully comply with all applicable governing authorities, laws, and regulations.

b. *Prices.* With respect to the sale of all menu items, Products, merchandise, or Services, Franchisee must be solely responsible for determining the prices of products offered at the Franchised Business; however, Franchisee is required to comply with any maximum or minimum pricing restrictions Franchisor may implement so long as such pricing does not violate applicable law.

c. *Membership Model.* Franchisor's System utilizes a membership model, which Franchisor may modify. The Franchised Business will be a membership-based business. To the fullest extent possible under applicable law, Franchisee must honor the memberships of customers of other franchisees of Franchisor ("Other Head Spas") by providing them with Franchisee's membership rates for products and services sought and obtained at Franchisee's Franchised Business or as otherwise provided in the Brand Standards, which may be modified at any time. Franchisee acknowledges and agrees: (i) to provide all members of Other Head Spas with full access to Franchisee's Head Spa and all available products and services at Franchisee's Head Spa; (ii) to follow all membership reciprocal benefits, standards, and requirements as set forth in the Brand Standards Manual, and Franchisee agrees it may provide more reciprocal benefits and services to members of Other Head Spas than other franchisees; and (iii) Franchisor may, in its sole discretion, modify Brand Standards relating to the membership model at any time, including, without limitation, implementing a system so that members of any Head Spa may use membership credits at other Head Spas.

d. *Gift Cards.* Franchisee may sell gift cards to be redeemed only at its Franchised Business' Head Spa. Franchisor may, in its sole discretion, modify Brand Standards relating to gift card redemption at any time, including without limitation, (i) the right for Franchisor to sell gift cards for Products and Services that may be redeemed at any Head Spa; (ii) the requirement for Franchisee to honor all gift cards, even if the customer purchased the gift card from Franchisor's website, from Other Head Spas, or any other method other than at Franchisee's Head Spa.

8.7 Compliance with All Laws and Good Business Practices.

a. *Licenses and Permits.* Franchisee must secure and maintain in force in its name all required licenses, permits, and certificates relating to the operation of the Franchised Business. Franchisee must operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, all laws or regulations governing or relating to the head spa and dry bar services, immigration and discrimination, occupational hazards, and health insurance, employment and labor laws, including, without limitation, workers' compensation insurance, unemployment insurance, and the withholding and payment of federal and state income taxes, social security taxes and sales taxes.

b. *Ethical Advertising.* All advertising and promotion by Franchisee must be completely factual and must conform to the highest standards of ethical advertising. Franchisee must, in all dealings with Franchisee's customers, suppliers, and the public, adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the goodwill associated with the Proprietary Marks or the business of Franchisor or its affiliates, the System, or other head spas or dry bars operated or franchised by Franchisor or its affiliates.

c. *Debts and Taxes.* Franchisee must promptly pay when due all debts and taxes levied or assessed, including, without limitation, income, unemployment, and sales taxes, and all accounts

and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement. Franchisee must pay Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement unless the tax is credited against income tax otherwise payable by Franchisor. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Approved Site of the Franchised Business, or any improvements thereon.

d. *Notice to Franchisor.* Franchisee must notify Franchisor in writing within ten (10) days after the commencement of: (a) any action, suit, or proceeding, or the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Franchised Business; or (b) of any notice of violation of any law, ordinance or regulation relating to health or sanitation at the Franchised Business.

8.8 Personnel, Management, and Day-to-Day Operations.

a. *Active Operating Owner.* To ensure that the Franchised Business's operations comply with this Agreement and Brand Standards as promulgated by Franchisor from time to time in written or oral communications, the Operating Owner must remain active in overseeing and supervising the operations of the Franchised Business. This includes, without limitation, regular and periodic visits to the Franchised Business and maintaining sufficient communications with Franchisor, including, without limitation, attending Franchisor Additional Training (e.g., Refresh and Rollout Training), Franchisee Conferences, and other in-person or virtual meetings held by Franchisor, keeping updated on any modifications to the Brand Standards Manual or other changes to the System, reviewing all Franchisor communications to Franchisees, and timely responding to any Franchisor requests, inspections, audits, or other requests permitted by this Agreement or the Brand Standards Manual.

b. *Management Team.* The Franchised Business must, at all times, be under the supervision of the Operating Owner and the on-site supervision of the Operating Owner or Manager. Franchisee must, at all times, employ a Manager, Lead Receptionist, Lead Stylist, and Lead Therapist, although one individual may serve in multiple roles so long as they have the appropriate skills, qualifications, and training as defined by the Brand Standards.

c. *Franchisee Sole Control of Day-to-Day Operations and Personnel.* Franchisee will have the sole authority and control over the day-to-day operations of the Franchised Business and its employees. Franchisee is exclusively responsible for its employees and independent contractors, the terms of their employment or contract, employment or contractual decisions, and functions of the Franchised Business, including, without limitation, Franchisee's employee compensation, taxes, benefits, withholding, safety, work schedules, work conditions, assignments, compliance with workplace laws (e.g., wage and hour requirements), personnel policies, recordkeeping, hiring, training supervision and management, discipline and performance management, and termination. In order to maintain consistency, quality of services, and the reputation of the Brand, Franchisor may, from time to time, prescribe in the Brand Standards Manual, or otherwise in

writing, minimum qualifications for various staff positions in Head Spas as well as standards, specifications, and techniques in the provision of services. However, Franchisee is solely responsible for the direction of Franchisee's employees and for operating the Franchised Business, including, without limitation, all decisions, the implementation of the Brand Standards, and the direction and oversight of the operations of the Franchised Business. Franchisor has no right or obligation to direct Franchisee's employees or to operate the Franchised Business. At no time will Franchisee or Franchisee's employees be deemed to be Franchisor's employees. Franchisor does not have the right to hire, train, supervise, manage, discipline, or fire Franchisee's employees or exercise any control over those employees or independent contractors, all of whom will be entirely under the Franchisee's control and direction. Franchisee is responsible for its employees' acts and omissions. Franchisee agrees that any advice or assistance received from Franchisor regarding operations or employment shall be considered examples only. Franchisee should seek local legal counsel relating to business and employment laws with which Franchisee must comply. Neither this Agreement, the Brand Standards, nor Franchisor's course of conduct is intended to be construed, to state, or to imply that Franchisor has any authority or control of the day-to-day operations of the Franchised Business, is the employer of Franchisee's employees or independent contractors, or is responsible in any manner for Franchisee's employees or independent contractors.

d. *Conspicuous Notice the Franchised Business is Independently Owned and Operated.* Franchisee must (1) inform and obtain a written acknowledgment from each employee or independent contractor that Franchisee, not Franchisor, is the employer or contracting party; (2) use its legal name and will refrain from using the Proprietary Marks on all documents for use with employees and contractors, including, but not limited to, employment applications, timecards, paychecks, and employment and independent contractor agreements; and (3) post a notice in its Head Spa clearly visible to employees and independent contractors clearly stating that Franchisor and its affiliates are not their employers.

e. *Franchisee's Employee Training.* Franchisor will not train Franchisee's non-Management Team employees. Franchisee is responsible for training its non-Management Team employees in connection with their respective roles/positions and ensuring their compliance with the Brand Standards. Franchisee may utilize Franchisor's Confidential Information, including the Brand Standards Manual, when conducting its employee training, but only to the extent necessary to conduct such training and only pursuant to the Restrictive Covenants set forth in Section 14 of this Agreement. Franchisee must ensure that its employees are properly qualified and trained to operate the Franchised Business in accordance with Franchisor's Brand Standards, including providing good customer service and rendering competent, prompt, courteous, and knowledgeable services.

8.9 Technology.

a. *Technology and Computer Systems.* During the Term, Franchisee shall purchase, install, use, and maintain Technology at its own cost in accordance as they may be specified in this Agreement or specified or modified in the Brand Standards Manual or otherwise in writing. Franchisor has the right to specify or require that certain brands, types, makes, and/or models of onfere be used by, between, or among the Franchised Business.

b. *Franchisor's Use of Data.* Franchisor shall have the right at any time to retrieve, monitor,

and use such information and data stored from Franchisee's Technology related to the operation of the Franchised Business that Franchisor deems necessary or desirable, including but not limited to all information related to customer transactions, inventory, sales, and other unit economics ("Franchised Business Data"). In view of the contemplated interconnection of Technology and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it must strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's Technology and will otherwise operate its Technology in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and Technology installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, that Franchisee must keep its Technology in good maintenance and repair and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee must promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's Technology, power lines, and other related facilities, as Franchisor directs periodically in writing.

c. *Required Programs.* Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (c) the tangible media upon which such Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; (e) an Extranet for informational assistance, which may include, without limitation, the Brand Standards Manual, training, other assistance materials, and management reporting solutions; and (f) answering service requirements and/or system-wide phone, online, or mobile order processing of all delivery orders, and/or to designate vendors that will provide such order processing. Franchisee shall comply with any Required Software or other license agreements that Franchisor or its designee use in connection with the System. Franchisee shall use Required Software, including, but not limited to, software to schedule and track customer appointments. Franchisee shall utilize Required Software, when available, for such other uses as prescribed by Franchisor periodically in the Brand Standards Manual, in Franchisor's sole discretion.

d. *Access.* Franchisee agrees to afford Franchisor unimpeded access to its Technology, including, but not limited to, the Computer System and Required Software, in the manner, form, and at the times that Franchisor requests. Franchisee must provide Franchisor with user identifications and passwords required to access files and other information contained on the Technology. Franchisee must provide to Franchisor, upon Franchisor's request, all e-mail lists and customer lists used or maintained by Franchisee on the Franchisee's Computer System or elsewhere. Franchisee's Technology must have the capabilities to provide Franchisor with the Franchised Business Data, and Franchisor reserves the right, in the future, to require that Franchisee's Technology provide Franchisor with independent remote access capabilities to retrieve such data.

e. *Modifications and Upgrades.* Franchisee agrees to install and use the Technology (including, but not limited to, the Computer System and Required Software) in the manner that Franchisor requires. Franchisor may increase the Monthly Technology Fee for any reasonable

software license costs for any Required Software. Franchisee agrees to implement and periodically modify, enhance, replace, upgrade, and make other changes to the Technology, including, but not limited to, the Computer System and Required Software as Franchisor requests in writing (“Technology Upgrades”). Franchisee will comply with Franchisor’s written specifications (whether in the Brand Standards Manual or otherwise) with respect to the Technology and Technology Upgrades at Franchisee’s own expense.

f. *Adapting to Technology Innovations.* Because changes to technology are dynamic and not predictable within the Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies and data security, whether published in the Brand Standards or otherwise in writing, and that Franchisor has the right to implement those changes in Technology into the System; and (b) to abide by Franchisor’s new standards (and with Franchised Business audits conducted by Franchisor or its designee to confirm Franchisee’s compliance) as if this Section, and other Technology provisions in this Agreement, were periodically revised for that purpose. Franchisee acknowledges that Franchisor may, during the Term, require Franchisee to modify, enhance, and/or replace all or any part of any Technology at Franchisee’s expense. Such modifications, enhancements, and replacements may require Franchisee to incur costs to purchase, lease, and/or license new or modified equipment and to obtain different and/or additional service and support services during the Term.

g. *Intranet.* Franchisor shall have the sole right (but no obligation) to develop an Intranet through which Franchisor and its franchisees can communicate by e-mail or similar electronic means. If Franchisor develops such an Intranet, Franchisee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols, and restrictions that Franchisor includes in the Brand Standards Manual (including, without limitation, standards, protocols, and restrictions relating to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements). Franchisee will be solely responsible for compliance with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (“CAN-SPAM Act of 2003”).

h. *Customer Data.* Franchisee agrees that all data and personally identifiable information (including, but not limited to, name, birth date, mailing address, phone number, and email address) that it collects from customers and potential customers in connection with the Franchised Business (“Customer Data”) is deemed to be owned exclusively by Franchisor. Franchisee also agrees to provide the Customer Data to Franchisor at any time that Franchisor requests. Franchisee has the right to use Customer Data during the Term, but only as authorized by Franchisor in connection with operating the Franchised Business and only in accordance with the policies that Franchisor establishes from time to time. Franchisee may not sell, transfer, or use Customer Data for any purpose other than operating the Franchised Business and marketing Franchisor’s products and services.

i. *Point-of-Sale System.* Franchisee agrees to record all sales on computer-based point of sale systems or such other types of cash register systems that Franchisor has the right to designate or approve in the Brand Standards Manual or otherwise in writing (“POS System”). The POS System is deemed to be part of Franchisee’s Computer System. Franchisee agrees that only trained and qualified personnel will be assigned the responsibility for conducting transactions on

the POS System. Franchisee must use Franchisor's Approved Supplier for the POS System.

j. *Noncash Payment Systems.* Franchisee must accept debit cards, credit cards, stored value gift cards, or other noncash systems specified by Franchisor to enable customers to purchase authorized products. Franchisee must obtain at Franchisee's expense all necessary hardware and/or software used in connection with these noncash systems. At all times, Franchisee must maintain credit card relationships with the credit and debit card issuers or sponsors, check or credit verification services, financial center services, and electronic fund transfer systems that Franchisor designates as mandatory. Franchisee must not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has revoked its approval. Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments and to revoke its approval of any service provider. Franchisee must comply with Franchisor's credit card policies, including minimum purchase requirements for a customer's use of a credit card as prescribed in the Brand Standards Manual. Franchisee must comply with the Payment Card Industry Data Security Standards ("PCI DSS") as these standards may be revised and modified by the Payment Card Industry Security Standards Council ("PCI SSC") or such successor or replacement organization, and/or in accordance with other standards as Franchisor may specify. In addition, Franchisor may require Franchisee to submit to Franchisor a fully completed copy of Franchisee's PCI Attestation of Compliance on the then-current PCI SSC form or such successor or replacement form(s) and/or processes.

k. *Gift Card Programs.* Franchisee will participate in any gift card program(s) that Franchisor specifies. For this purpose, Franchisee must purchase the software, hardware, blank cards, and other items needed to sell and process gift cards or stored value cards, which Franchisor may specify in writing in the Brand Standards Manual or otherwise. Franchisee also agrees to pay such monthly and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor gift cards only in accordance with Franchisor's written standards. Franchisee must account for all gift card sales, gift card redemptions, and other gift card transactions in the manner Franchisor specifies in the Brand Standards Manual. Franchisee must maintain sufficient cash reserves to pay Franchisor or other franchisees as part of any network-wide periodic reconciliation of the gift card program. Franchisee must pay Franchisor or make payments as specified by Franchisor, in such amounts and at such times as directed by Franchisor, in accordance with Franchisor's gift card rules, programs, and policies. Franchisee agrees not to sell, issue, or redeem gift certificates other than gift cards that Franchisor has approved in writing.

l. *Functionality and Security.* Franchisee acknowledges and understands that computer systems and technology are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, data-related problems, and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied or required by Franchisor or its suppliers (including the Website, email, telephone systems, Technology, Computer Systems, and Required Software) will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, lessors, customers, and governmental agencies on which Franchisee relies are reasonably protected. This may include taking reasonable steps to secure the Franchisee's system, including, but not limited to, firewalls, access code protection,

anti-virus systems, and the use of backup systems.

m. *Privacy Laws.* Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information (“Privacy Laws”). Franchisee agrees to comply with Franchisor’s standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor’s standards and policies pertaining to Privacy Laws and applicable law, Franchisee must: (1) comply with the requirements of applicable law, (2) immediately give Franchisor written notice of such conflict, and (3) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet Franchisor’s standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor’s prior written consent.

8.10 Consultation and Advice. Franchisor may provide Franchisee with consultation and advice, in its sole discretion, in the operation of Franchisee’s Franchised Business. If provided, consultations or advice will be available during Franchisor’s regular business hours by telephone, electronic media, or in-person (at Franchisor’s headquarters or at Franchisee’s Approved Site). Consultations and advice may be provided related to approved services and products, operational methods, accounting procedures, marketing and sales strategies, and compliance with Brand Standards. Any such consultation and advice by Franchisor is intended solely to assist Franchisee in the operation of the Franchised Business based on Franchisor’s experience and know-how of the System. Franchisee retains full control and responsibility for the day-to-day operations of the Franchised Business.

9. ADVERTISING AND PROMOTION

9.1 Grand Opening Advertising.

a. *Grand Opening Advertising Plan.* Franchisee must conduct certain advertising, promotion, and public relations activities in connection with the opening of the Franchised Business. Franchisee is responsible for developing and implementing a grand opening advertising plan (“Grand Opening Advertising Plan”) for its Franchised Business aimed at recruiting initial staff, promoting the Franchised Business’s Head Spa’s initial launch, generating potential customer leads, and increasing appointments for services and membership registrations, including, but not limited to, concepts, materials, endorsements, use of influencers, geographic market, media placement, and complimentary services (“Grand Opening Advertising”). Franchisor will assist Franchisee with developing its Grand Opening Advertising Plan by providing Franchisee with best practices. Franchisee must collaborate with Franchisor to identify mutually agreeable sales targets and submit its Grand Opening Advertising Plan to Franchisor for review and approval to ensure consistency with the Brand Standards specifications on advertising, proper use of the Proprietary Marks, and that the Grand Opening Advertising Plan is aligned to Franchisee’s sales targets.

b. *Grand Opening Advertising Timing and Minimum Spend.* Franchisee’s Grand Opening Advertising must occur beginning 60 days prior to the Franchised Business’s Head Spa expected opening and continue 60 days after the Head Spa opens, unless otherwise agreed to in writing by Franchisor. Franchisor requires Franchisee to spend a minimum of \$10,000.00 for Grand Opening Advertising (“Minimum Grand Opening Advertising Spend”). Franchisee is required to pay Franchisor’s designated Approved Supplier to develop digital content and assets with the Proprietary Marks for the Franchised Business opening (“Grand Opening Assets”), which Franchisee will pay to print or use digitally, at its own cost and expense using its own suppliers.

Some Grand Opening Assets are Required Items, such as brochures, flyers, signage, menus of services, and business cards. The Grand Opening Asset costs shall be applied to the Minimum Grand Opening Advertising Spend. Upon Franchisor's request, Franchisee must provide Franchisor with proof of its Grand Opening Advertising expenditures. Franchisor has the right, but not the obligation, to collect and administer these funds on Franchisee's behalf.

c. *Other Circumstances Requiring Grand Opening Advertising.* Franchisee must perform opening Grand Opening Advertising as required by this Section 9.1 any time Franchisee (i) relocates the Franchised Business or (ii) reopens the Franchised Business after having it closed for sixty (60) days or more.

9.2 Brand Fund.

a. *Brand Fund Establishment.* Recognizing the value of uniform promotion to the goodwill and public image of the System, Franchisee agrees that Franchisor will maintain and administer a general brand fund or funds (the "Brand Fund") for such national, regional, local, and other marketing, developing, advertising, promotion, and public relations programs and other activities to promote and protect the brand as Franchisor, in its sole discretion, may deem necessary or appropriate ("Brand Fund Programs"). The Brand Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to Franchisee or any Franchisees with respect to the Brand Fund. Franchisor has the absolute right to direct the creative concepts, materials, endorsements, content, media, and other brand promotion and protection methods used in the Brand Fund programs, as well as the placement and allocation of the Brand Fund Programs.

b. *Franchisee Brand Fund Contribution.* Franchisee shall contribute, throughout the Term of this Agreement, a monthly fee to the Brand Fund ("Brand Fund Contribution") for advertising and promotion as specified in Section 5.4.b No action taken by Franchisor shall diminish Franchisee's obligation to pay its Brand Fund Contribution to the Brand Fund. The Brand Fund Contribution is in addition to Franchisee's other advertising obligations in this Agreement.

c. *Brand Fund Uses.* The Brand Fund will be used and expended for advertising, media costs, commissions, market research costs, creative costs, production costs, trade show attendance, website development and search optimization, the development of Technology for the system, goodwill retention programs such as gift card and prepaid membership reimbursement from expired or terminated franchises (to be indemnified by Franchisee under Section 13.3 and 16.3), POS and scheduling systems and materials, and for any other purpose to promote and protect Franchisor's brand ("Brand Fund Activities"). Brand Fund Activities uses and expenses may include, without limitation, the costs of creating promotions and artwork, photography, printing costs, marketing, and promotion goods and services provided by Franchisor and outside vendors, including but not limited to marketing agencies and administration of the Brand Fund, and other costs relating to advertising and promotional programs undertaken by Franchisor. Franchisor reserves the right to place and develop such advertisements and promotions and to market on behalf of the System, either directly or through an advertising agency retained or formed for such purpose or through cooperative advertising groups composed of Franchisees designated by Franchisor.

d. *Franchisee Participation.* Franchisee shall fully participate in all promotional campaigns, prize contests, special offers, and other programs, national, regional, and local in nature (including the introduction of new Products and Services, new franchises, or other marketing programs

directed or approved by Franchisor), which Franchisor prescribes from time to time. In addition, Franchisee shall honor any coupons, gift certificates, or other authorized promotional offers of Franchisor at Franchisee's sole expense unless otherwise provided in writing by Franchisor. Franchisee will maintain an adequate supply of marketing brochures, pamphlets, and promotional materials as may be required by Franchisor from time to time. The cost of such participation will be applied to Franchisee's Minimum Local Advertising Requirement obligations set forth in Section 9.3.

e. *Administration.* The Brand Fund will be administered by the Franchisor, its affiliates, or designees at Franchisor's discretion. The Brand Fund will be accounted for separately from Franchisor's other funds. The Brand Fund may not be used to defray any of Franchisor's general operating expenses except for any reasonable salaries, administrative costs, and overhead (calculated on a fully allocated basis) that Franchisor may incur in activities reasonably related to the administration or direction of the Brand Fund and its advertising programs (including, without limitation, conducting market research, managing programs supported by the Brand Fund, and retaining outside agencies). Franchisor assumes no fiduciary duty to Franchisee or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct, or administer the Brand Fund. Franchisor, its affiliates, and any designee of Franchisor will have no direct or indirect liability or obligation to Franchisee or the Brand Fund, or otherwise with respect to the management, maintenance, direction, administration or otherwise of the Brand Fund. The Parties agree that their rights and obligations with respect to the Brand Fund and all related matters are governed solely by this Agreement, and neither this Agreement nor the Brand Fund creates a trust, fiduciary relationship, or similar arrangement between Franchisor and Franchisee.

f. *Brand Fund Operations Statement.* An unaudited statement of the operations of the Brand Fund will be prepared annually and will be made available to Franchisee upon written request to Franchisor. The Brand Fund will pay the cost of preparing such a statement. If Franchisor is required by law to commission an audit of the Brand Fund, then the costs of such an audit will be paid by the Brand Fund. Any sums remaining in the Brand Fund at the end of a fiscal year must carry over into the Brand Fund to the next fiscal year.

g. *No Benefit Guarantee.* Franchisee acknowledges and agrees that the Fund is intended to maximize general public recognition and patronage of businesses for the benefit of all outlets and Franchisees in the System and that Franchisor undertakes no obligation in administering the Fund to ensure that any particular Franchisee benefits directly or pro-rata from the placement or conduct of such advertising and promotion. Franchisor is not obligated to spend any amount of the Brand Fund for Brand Fund Programs or activities, including advertising and promotion, in the geographic area where Franchisee is or will be located. Franchisor may spend the Brand Fund funds for Brand Fund Programs or activities on behalf of the entire System, including franchisees, or on behalf of a particular region that may not include Franchisee. Each franchisee will be required to contribute to the Brand Fund, but certain franchisees may contribute on a different basis depending on when the franchisee signed its franchise agreement.

h. *Brand Fund Not Used for Franchise Development.* The Brand Fund will not be used for any initiative intended solely to market the sale of franchises. Franchisee acknowledges and agrees, however, that certain activities supported by the Brand Fund, including, without limitation, maintenance of the website, public relations activities, and community involvement activities, may include information about franchising opportunities. Franchisor may undertake activities

using the Brand Fund funds that increase prospective franchisees' visibility of and interest in the System.

i. *Termination.* Franchisor may terminate the Brand Fund at any time, in its sole discretion. In the event of termination, any remaining balance in the Brand Fund will be expended as set forth in this Section 9.2 or returned to Franchisee on a pro-rata basis. Except as set forth in the previous sentence, Franchisee's Brand Fund Contributions are non-refundable.

9.3 Local Advertising.

a. *Minimum Local Advertising Spend.* Franchisee must use best efforts to promote and advertise the Franchised Business and participate in any local marketing and promotional programs that Franchisor establishes from time to time ("Local Advertising"). In addition to the Brand Fund Contribution, commencing on the sixty-first (61st) day after the Franchised Business Head Spa opens, Franchisee is required to spend at least the greater of the following on Local Advertising: (a) one thousand five hundred dollars (\$1,500) per month; or (b) one percent (1%) of Gross Revenue ("Minimum Local Advertising Spend"). Franchisor reserves the right to increase the Minimum Local Advertising Spend to up to three (3%) of Franchisee's Gross Revenue by providing sixty (60) days' written notice. Upon Franchisor's request, Franchisee must provide itemization and proof of local marketing and an accounting of the money it has spent on approved local marketing. If Franchisee fails to make the Minimum Local Advertising Spend, Franchisor has the right to collect and contribute any deficiency to the Brand Fund.

b. *Franchisor Assistance.* Franchisor may provide and make available to Franchisee certain optional or required advertising and promotional materials for the Franchised Business's Local Advertising, including, without limitation, content and printed or digital assets for brochures, flyers, menus, signage, business cards, merchandising materials, point-of-sale materials, and seasonal promotions. Franchisor may require Franchisee to purchase, produce (e.g., customize and print), and use such materials for the Franchised Business's Local Advertising at Franchisee's sole cost and expense, which may be applied to the Minimum Local Advertising Spend.

c. *Franchisee Local Advertising.* Franchisee has the right to conduct Local Advertising for the Franchised Business as Franchisee, in its reasonable discretion, desires, provided that Franchisee's Local Advertising complies with all of the following requirements:

i. Franchisee must advertise and promote according to the standards and specifications set forth in the Brand Standards Manual and in a manner that reflects favorably on Franchisor, Franchisee, the Products and Services, and the good name, goodwill, and reputation thereof.

ii. Franchisee must submit all proposed advertising and promotions to Franchisor for its approval at least thirty (30) days prior to use, which approval may not be unreasonably withheld or unduly delayed. Should Franchisor not provide written approval within thirty (30) days of the request submission, then those materials, tactics, or campaigns are deemed disapproved and prohibited from use. Franchisee may not use any advertising or promotions until Franchisor has given its written approval of such advertising or promotions. Franchisee shall promptly discontinue the use of any Local Advertising, whether or not previously approved, upon notice from the Franchisor.

iii. Franchisee must prominently display, at its expense, in and on the Approved Site for the Franchisee's Head Spa, signs of such nature, form, color, number, location, size, and

content as Franchisor may direct or approve in writing from time to time. Such signs must be purchased from Franchisor or, at Franchisor's option, from suppliers approved of by Franchisor.

iv. Franchisee agrees to participate in all system-wide promotions and advertising campaigns that Franchisor creates and will do so at Franchisee's sole expense as part of its Minimum Local Advertising Spend, including, but not limited to any rebates, giveaways, and other promotions established by Franchisor. Franchisee must honor the rebates, giveaways, and other promotions, so long as compliance does not contravene any applicable rule, law, or regulation.

v. Franchisee agrees it will not create or issue any gift cards or gift certificates and will only sell gift cards or gift certificates that have been issued or sponsored by Franchisor.

vi. Franchisee will not issue coupons or discounts of any kind except as approved by Franchisor.

vii. Franchisor may designate required Approved Suppliers and required Local Advertising activities. Franchisor may require Franchisee to pay all, or any portion of, Franchisee's Minimum Local Advertising Spend to Franchisor or Franchisor's affiliates or designated suppliers, in Franchisor's sole discretion in exchange for Local Advertising services and products that Franchisor mandates, regardless of whether Franchisee might be able to purchase such services on its own or for a lower price.

d. *Remedies for Breach.* Should Franchisee violate any provision of Section 9.3.c, in addition to all other remedies available to Franchisor under this Agreement and applicable law (including injunctive relief), Franchisee will pay a fee, upon Franchisor's demand, in the amount of five hundred dollars (\$500) to the Brand Fund ("Unauthorized Advertising Fee") to offset the damage caused by Franchisee's breach and the administrative costs of enforcement.

9.4 Website.

a. *System Website.* Franchisor has established a systemwide public-facing website ("Website") that provides information about the System and the Products and Services offered by the Franchised Businesses. Franchisor's Website may also reserve reservations, include payment options, and offer Products and Services for sale, including gift cards, retail goods, and other items bearing the Proprietary Marks.

b. *Franchisee's Local Page.* At the time that Franchisee opens its Franchised Business, Franchisor will update the website with a page with information specific to the Franchised Business ("Local Page"). The content of the Local Page and the format of the Local Email will be determined by Franchisor at its sole discretion. However, Franchisor may request that Franchisee provide Franchisor with information to develop the content for the Local Page, and Franchisee shall provide such information. Franchisee may request that Franchisor modify the Local Page (e.g., customization, alterations, submissions, or updates), which Franchisor may approve or deny in its sole discretion. Franchisee will not have the capability to modify such page(s) except in coordination with Franchisor and in compliance with Franchisor's policies and procedures, as such may change from time to time.

c. *Website Oversight.* Franchisor has sole discretion and absolute control over the Website (including timing, design, contents, and continuation). Franchisor may use part of the Brand Fund

funds to pay or reimburse itself for the costs of maintaining and update the Website, except that Franchisor shall not use Brand Fund Contributions to pay for those components of the Website that are devoted to the sale of The Modern Halo™ franchises. Franchisor will have no obligation to maintain Franchisor's Website indefinitely but may discontinue it at any time without liability to Franchisee. Further, as Franchisor has no control over the stability or maintenance of the Internet generally, Franchisor is not responsible for damage or loss caused by errors on the Internet. Franchisor is not liable for any direct, indirect, special, incidental, exemplary, or consequential damages arising out of the use of the Internet or the inability to use the Internet, including loss of profits, goodwill or savings, downtime, or damage to or replacement of programs and data, whether based in contract or tort, product liability, or otherwise.

d. *Franchise Restrictions.* Franchisee shall not establish, create, or operate its own public-facing website or mobile application for its Franchised Business.

e. *Additional Websites and Mobile Applications.* Franchisor reserves the right to establish one or more websites and/or mobile applications, and should it do so, such websites and/or mobile applications shall be incorporated into all provisions relating to the Website.

9.5 Email.

a. *Franchisee's Local Email.* Franchisor has established a systemwide email domain and system. Franchisee shall not establish, create, or operate its own public-facing email address for its Franchised Business. On or before the thirtieth (30th) day after the Effective Date, Franchisor will supply the Franchised Business with up to five (5) email addresses with the System's domains ("Local Email"). Franchisor will determine the format of the Local Email at its sole discretion. Any additional Local Email address licenses must be purchased from Franchisor's Approved Supplier. Franchisor may request Franchisee to provide Franchisor with information for the Local Email, and Franchisee shall provide such information. Franchisee may request that Franchisor modify the Local Email (e.g., customization, alterations, submissions, or updates), which Franchisor may approve or deny in its sole discretion.

b. *Email Communication.* To maintain critical communication with Franchisor, promote professional brand representation, and support information security, Franchisee shall, at all times use the Local Email solely for the Franchised Business and consistently review and respond to communications on the Local Email. Franchisee, or its authorized designee, shall check their Local Email account regularly, including at least once each day.

c. *Email Use.* Franchisee agrees to use Local Email in strict compliance with the standards, protocols, and restrictions that Franchisor includes in the Brand Standards Manual (including, without limitation, standards, protocols, and restrictions relating to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements). Franchisee will be solely responsible for compliance with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 ("CAN-SPAM Act of 2003")

9.6 Telephone Numbers and Listings. Franchisee shall acquire telephone number(s) for the Franchised Business. Franchisee acknowledges that, at all times, the Franchised Business telephone number(s) and listing(s) will remain in the name of and shall be the sole property of Franchisor, provided that Franchisee will be responsible for any and all costs, expenses and deposits associated with the Franchised Business telephone number(s) and listing(s) including, without limitation, any

telephone company deposits and all local, long distance, installation and connection charges. Franchisee agrees to advertise the Franchised Business (at Franchisee's expense) in all telephone directories or other directories as Franchisor designates, using only such advertisements as may be approved by Franchisor.

9.7 Digital Media, including Social Media and Web Directories.

a. *Account Designation and Creation.* At the time that Franchisee opens its Franchised Business, Franchisor will designate the Social Media applications, Web Directories, and other Digital Media that the Franchised Business will be permitted to use, and Franchisor will create the Social Media accounts, Web Directories, and other Digital Media, including, but not limited to, handles, display names, and profiles for the Franchised Business on such approved applications and directories ("Approved Platforms").

b. *Management and Use.* Franchisee shall contribute content and manage the Approved Platforms to advertise, promote, and communicate about the Franchised Business, using the Proprietary Marks, via the Approved Platforms (collectively, "Online Promotion"), provided that Franchisee complies with the following requirements:

i. Franchisee's Online Promotion on the Franchisee's Approved Platforms shall solely relate to the Franchised Business.

ii. All uses of the Approved Platform accounts, pages, channels, content, Online Promotion, management, engagement, and other activities conducted on the Approved Platforms must comply with Local Advertising provisions set forth in Section 9.3.c. of this Agreement and the Brand Standards Manual, including all content, tags, mentions, and engagement.

iii. Franchisee acknowledges and understands that any Online Promotion that it conducts and engages in on behalf of the Franchised Business shall be at the sole cost and expense of Franchisee, which shall be applied to Franchisee's Minimum Local Advertising Spend.

iv. Franchisor shall have administrator access to Franchisee's Approved Platform accounts and has the right to monitor, modify, and remove any content that Franchisee publishes on the Approved Platforms or any other unapproved platforms.

v. Franchisee must not use any Digital Media on the Approved Platforms or any online forum relating to the Franchised Business or Franchise System that would disclose Confidential and Proprietary Information, violate any relevant laws, regulations, or guidelines, or violate the terms imposed by the Approved Platforms.

vi. Franchisee acknowledges that, at all times, the Franchised Business's Approved Platform accounts and content will remain in the name, and the sole property, of Franchisor, provided that Franchisee will be responsible for any and all costs, expenses and deposits associated with the Franchised Business Approved Platform accounts including, without limitation, any fees to establish the account and all advertising costs.

vii. Franchisee must promptly discontinue any advertising or promotion using the Approved Platforms or other online forums, whether or not previously agreed to by Franchisor, upon notice from Franchisor that it reasonably considers that such use of the Approved Platforms does not conform to the System Standards Manual.

viii. Upon the expiration or termination of this Agreement, Franchisee will assign ownership (to the extent Franchisor does not already own them) of all domain names, account names, handles, and usernames used by Franchisee in its business under this Agreement and Franchisee will take all such actions as Franchisor reasonably requires to disassociate Franchisee from any such names and Approved Platform pages.

c. *Franchisor Retained Rights.* Franchisor reserves the right, in its sole discretion, to consolidate, control, and manage the Approved Platform accounts in the future to promote, market, and advertise the brand, manage Approved Platform engagement, and such other Approved Platform activities that Franchisor deems in the best interest of the Brand in its sole discretion (“Systemwide Approved Platform Program”). Should Franchisor exercise such right, Franchisee acknowledges and agrees that: (i) Franchisee will cooperate with and participate in the Systemwide Approved Platform Program, and (ii) Franchisor may increase the Monthly Technology Fee for such Systemwide Approved Platform Program.

9.8 Photography and Video Release. Franchisee acknowledges and authorizes Franchisor to use Franchisee’s and the Franchised Business’ likeness in photography and videos in any and all of Franchisor’s publications, including printed and Digital Media publications. Franchisee agrees and understands that any photograph using Franchisee’s and the Franchised Business’s likeness will become Franchisor’s property and will not be returned. Franchisee agrees and irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish, or distribute any photograph of Franchisee and the Franchised Business for any lawful purpose. Franchisee agrees and waives any rights to royalties or other compensation related to Franchisor’s use of any photograph of Franchisee. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action that Franchisee may have now or in the future in connection with this authorization.

9.9 Other Digital Media Provisions.

a. *Digital Media Ownership and Intellectual Property Rights.* Franchisor owns all intellectual property rights and retains all rights relating to the Website, e-mail addresses, telephone numbers and listings, Social Media, Web Directories, intranet system, and other online communications, including, but not limited to the website domain, email domains, the Local Page, the Local Email, Franchisee’s Social media, Web Directories, and any analytical data associated with it, including personal or business data that visitors may supply. Any establishment and use of an Approved Platform or other Digital Media for the Franchised Business and any account modifications (including customizations, alterations, submissions or updates) to the Website, including the Local Page, for any purpose, including at the request of Franchisee, will be deemed to be a “work made for hire” under the copyright laws, and therefore, Franchisor shall own the intellectual property rights in and to such modifications as Copyrighted Materials. To the extent any modification does not qualify as a work made for hire as stated above, Franchisee hereby assigns those Approved Platforms, all Digital Media, and corresponding content as well as all modifications to the Website, including the Local Page to Franchisor for no additional consideration and with no further action required and shall execute such further assignments(s) as Franchisor may request. Additionally, Franchisor retains all rights relating to Franchisee’s use of the Proprietary Marks or any advertising subject to this Agreement. Franchisor reserves the right to establish and modify rules which will govern Franchisee’s use of the Proprietary Marks on the Internet and Franchisee agrees to abide by such rules. Franchisee’s right to use the Proprietary Marks on the Internet will terminate immediately upon the expiration or termination of this Agreement.

b. *Digital Media Use.*

i. Except with regard to Social Media, Approved Platforms, and Digital Media as set forth in Section 9.7 of this Agreement, Franchisee shall not have the right to engage in any of the following conduct without the prior written approval of Franchisor, which may be approved or denied in Franchisor's sole discretion: (1) advertise its Franchised Business on the Internet, including discount websites offering the Franchised Business's Products and Services at reduced prices, (2) use any domain name, locator, link, metatag, or search technique with words or symbols similar to the Proprietary Marks, (3) engage in digital online marketing with suppliers who have not been approved or designated by Franchisor (SEO, PPC, reputation management, scheduling/booking services, native phone applications).

ii. Franchisee must comply with Franchisor's requirements and policies (as described in the Brand Standards Manual or otherwise in writing) with respect to all Digital Media in connection with the Franchised Business and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, in Social Media, Web Directories, or in any other media, regarding the Franchised Business. Such activities include, without limitation, participation in any Internet "blogs," Social Media sites, Web Directories, and use of influencers. Any such activities that are not expressly permitted in the Brand Standards Manual or otherwise in writing, or for which Franchisee has not previously received approval from Franchisor, will be subject to Franchisor's approval as Local Advertising as set forth in Section 9.3.c. of this Agreement.

iii. Franchisee agrees not to transmit or cause any other party to transmit consumer advertisements or solicitations by e-mail or other Digital Media without Franchisor's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the CAN-SPAM Act of 2003).

c. *Remedies for Breach.* If Franchisee fails to pay when due any fees or other amounts payable to Franchisor under this Agreement or otherwise fails to comply with any policy or procedure governing the Digital Media, in addition to other remedies, Franchisor may, at its option, temporarily disable Franchisee's Local Page, Social Media, Web Directories, or other Digital Media and/or Franchisee's ability to accept online reservations, if available, until Franchisee pays its outstanding obligations in full and/or Franchisee fully cures the breach. Franchisee will not have any claim against Franchisor or any affiliate arising from Franchisor's actions pursuant to this Section 9.9.c, and Franchisee hereby waives any such claim it may at any time have and releases Franchisor and its affiliates from any liability arising therefrom.

9.10 Advertising Cooperatives.

a. *Advertising Cooperative Establishment.* Franchisor reserves the right to designate local or regional advertising markets and form a cooperative advertising association ("Advertising Cooperative") for the purposes of jointly advertising and promoting The Modern Halo™ franchises. Members of the Advertising Cooperative will be responsible for administering the Advertising Cooperative, including determining the amount of contribution from each member

and preparing bylaws and other documents subject to the terms of this Agreement, the Brand Standards Manual, and Franchisor's written approval.

b. *Advertising Cooperative Member Dispute.* From time to time, the Advertising Cooperative members may disagree on matters relating to the Advertising Cooperative's formation, governing documents, or functioning, and its members may be unable to reach an agreement with respect to the organization, administration, "spill" policy, contribution waivers or exceptions, budget, or other matters ("Cooperative Dispute"). Should the Advertising Cooperative members have a Cooperative Dispute that they are unable to resolve within forty-five (45) days, the Advertising Cooperative members must submit the issue to the Franchisor for resolution. Franchisor's resolution to the Cooperative Dispute will be binding on all Advertising Cooperative members.

c. *Franchisee's Obligations.* Franchisee agrees to: (i) join, participate in, and actively support any Advertising Cooperative established to include the Franchised Business, and (ii) make contributions to the Advertising Cooperative in the amount and on the payment schedule adopted by the Advertising Cooperative members and approved by Franchisor. Contributions made to the Advertising Cooperative will be credited towards Franchisee's Minimum Local Advertising Spend.

10. TRADEMARK LICENSING AND OTHER INTELLECTUAL PROPERTY

10.1 Franchisor's Trademark and Copyright Ownership.

a. *Trademark Ownership.* Franchisor or its Affiliates are the owner(s) or exclusive licensee(s) of all right, title, and interest, together with all the goodwill of the Proprietary Marks. Franchisee acknowledges and agrees that the Proprietary Marks designate the origin or sponsorship of the System, the Franchised Business, and the Products and Services, and that Franchisor desires to protect the goodwill of the Proprietary Marks and to preserve and enhance the value of the Proprietary Marks. In the event that Franchisee acquires any rights, title, or interest in the Proprietary Marks, Franchisee agrees to assign and hereby assigns all such rights, title, or interest to Franchisor.

b. *Copyright Ownership.* Franchisee acknowledges that Franchisor owns the worldwide copyrights and other intellectual property rights to all components of the System that are original works of authorship subject to copyright, including, without limitation, the Brand Standards Manual, marketing materials, Website, Social Media, Web Directories, and other Digital Media text, artwork, photographs, musical compositions, sound recordings, audiovisual works, computer software, and architectural designs, (collectively, the "Copyrighted Materials" as further described in Section 1.6 of this Agreement).

c. *Right to Register.* Franchisor may, in its sole discretion, apply to register any trademarks and copyrights with respect to the Products, Services, any other products and services, and Copyrighted Materials. Failure of Franchisor to obtain or maintain in effect any such application or registration is not a breach of this Agreement.

d. *NO REPRESENTATION OR WARRANTY.* FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY EXPRESS OR IMPLIED AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY, OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED MATERIALS.

10.2 Franchisee Restrictions and Obligations. Without in any way restricting or limiting the terms

above, Franchisee covenants and agrees to all of the following:

a. *Franchisor's Exclusive Ownership and Interest.* Neither this Agreement nor the operation of the Franchised Business in any way gives Franchisee any interest in the Proprietary Marks or Copyrighted Materials other than the right to use the Proprietary Marks and Copyrighted Materials solely in connection with the Franchised Business, solely in accordance with the terms and conditions of this Agreement and the Brand Standards Manual and solely during the term of this Agreement. Franchisee shall not use the Proprietary Marks or Copyrighted Materials in any manner calculated to represent that it is the owner of the Proprietary Marks or Copyrighted Materials. Any unauthorized use of the Marks or Copyrighted Materials by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks and Copyrighted Materials.

b. *Safeguarding the Marks.* Franchisee shall make every effort consistent with this Agreement to protect, maintain, and promote the Proprietary Marks as identifying the System and only the System. Franchisee will safeguard and maintain the reputation and prestige of the Proprietary Marks and Copyrighted Materials. Franchisee will not do anything that would tarnish the image or adversely affect the value, reputation, or goodwill associated with the Proprietary Marks and Copyrighted Materials.

c. *Proprietary Mark Notice.*

i. Unless Franchisor advises Franchisee to use a different notice, Franchisee will use the following copyright notice at least once on each piece of advertising, promotional, or other materials used in connection with the Franchised Business: "© [year of first publication] 3S-IP, LLC. All rights reserved."

ii. Franchisee will use the Proprietary Marks with a superscript "®" or "™," as we specify in our Brand Standards.

d. *Unauthorized Corporate Naming.* Franchisee will not use the Proprietary Marks or any variations thereof as any part of its corporate, firm, or business name or for any other purposes (including, without limitation, using the Proprietary Marks or variations thereof as part of any prefix, suffix, or other modifying words, terms, designs, or symbols), except in accordance with the terms and conditions of this Agreement or as may otherwise be expressly authorized in advance in writing by Franchisor.

e. *Goodwill and Non-Contest.* During the term of this Agreement and after a Transfer or the expiration or termination of this Agreement, Franchisee shall not (i) dispute, contest, or challenge the validity or enforceability of the Proprietary Marks or Copyrighted Materials, nor counsel procure, or assist anyone else to do the same; (ii) represent that it has any right, title, or interest in the Proprietary Marks or Copyrighted Materials other than those expressly granted by this Agreement; or (iii) attempt any registration of the Proprietary Marks or Copyrighted Materials or take any action that would dilute the value of the goodwill attaching to the Proprietary Marks or Copyrighted Materials. All goodwill associated with the Proprietary Marks and Copyrighted Materials will inure exclusively to the benefit of Franchisor during the term of this Agreement and after Transfer, expiration, or termination of this Agreement.

f. *Franchisor's Right to Terminate or Modify Use.* If, in Franchisor's reasonable

determination, the use of the Proprietary Marks or Copyrighted Materials will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Marks or Copyrighted Materials, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify or discontinue the use of the Proprietary Marks or Copyrighted Materials, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols or copyrighted materials.

g. *Franchisee's Cooperation and Assistance.* Upon any request by Franchisor, Franchisee will fully cooperate, during the Term and after termination or expiration of this Agreement and at Franchisor's expense, in confirming, perfecting, reserving, and enforcing Franchisor's rights in the Proprietary Marks and Copyrighted Materials, including, but not limited to, executing and delivering such applications or agreements or such other instruments in such form and with such parties as Franchisor in its sole discretion specifies, protecting the interests and rights of Franchisor in the Proprietary Marks, or complying with any applicable regulations or legislation related to trade names, trademarks, trade dress or other similar subjects. Such applications, agreements, or other instruments may include, without limitation, assignments, powers of attorney, and copies of commercial documents showing the sale and advertising of the Products and Services and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents.

h. *Post-Termination Obligations.* Upon a Transfer, expiration, or termination of this Agreement for any reason, Franchisee shall immediately cease all uses of the Proprietary Marks (including any colorable imitations thereof) for any purposes whatsoever and shall not promote itself as a person or entity that currently conducts or previously conducted business under the Proprietary Marks.

10.3 Notice of Independent Ownership and Operation.

a. *Use of Proprietary Marks on Business Materials.* Franchisee may use the Proprietary Marks on various materials for its Franchised Business, such as business cards, service menus, and signage, provided that Franchisee: (i) accurately depicts the Proprietary Marks on the materials as Franchisor prescribes; (ii) includes a statement on the materials indicating that the business is independently owned and operated by Franchisee; (iii) does not use the Proprietary Marks in connection with any other trademarks, service marks or trade names without Franchisor's prior written approval; and (iv) makes available to Franchisor, upon Franchisor's request, a copy of any materials depicting the Proprietary Marks.

b. *Independently Owned and Operated Sign Requirements.* Franchisee must post a prominent sign in the Franchised Business identifying Franchisee as a Franchisee in a format that Franchisor deems acceptable, including an acknowledgment that Franchisee independently owns and operates the Franchised Business, and that the Mark is owned by Franchisor and licensed to Franchisee. All of Franchisee's internal and external signs must comply with Franchisor's guidelines, requirements and practices, as they are modified from time to time.

10.4 Infringements of Proprietary Marks and Copyrighted Materials.

a. *Notification and Cooperation on Infringement Claims.* Franchisee must notify Franchisor in writing upon discovering any claim of infringement or unfair competition or other challenge to

Franchisee's right to use the Proprietary Marks or Copyrighted Materials, or upon discovering any use of or claims to the Proprietary Marks or Copyrighted Materials by anyone other than Franchisor or its licensed Franchisees. Such notification must be given promptly and in no event longer than three (3) calendar days after discovery by Franchisee. Franchisee may not communicate with anyone except Franchisor and counsel in connection with any such infringement, challenge, or claim, except pursuant to judicial process. Franchisor shall have the absolute right to determine whether it takes any action in connection with any such infringement, challenge, or claim and the sole right to control any litigation or other proceeding arising out of any infringement, challenge, or claim relating to the Proprietary Marks or Copyrighted Materials. Franchisee must sign any instruments and documents, render any assistance, and perform any acts that Franchisor or its attorneys deem necessary or advisable to protect and maintain Franchisor's interest in any litigation or proceeding related to the Proprietary Marks or Copyrighted Materials or otherwise to protect and maintain Franchisor's interest in the Proprietary Marks and Copyrighted Materials. At Franchisor's option, Franchisee will join in any action, in which case Franchisor shall bear all out-of-pocket costs for Franchisee's participation. If Franchisee joins in an action, then the recovery, if any, from such legal action shall be first applied to the total expenses associated therewith, and then split equally between Franchisor and Franchisee.

b. *Franchisor's Discretion on Infringement Actions.* Franchisor has no obligation to pursue any infringing users of the Proprietary Marks or Copyrighted Materials. If Franchisor learns of an infringing user, Franchisor will take the appropriate action, but Franchisor is not required to take any action. Franchisee must notify Franchisor within three (3) days if Franchisee learns that any unauthorized party is using the Proprietary Marks, the Copyrighted Materials, or a trademark or materials that are confusingly similar to the Proprietary Marks or Copyrighted Materials. Franchisor has the sole discretion to take such action as Franchisor deems appropriate to exclusively control any litigation or administrative proceeding involving the Proprietary Marks or Copyrighted Materials licensed by Franchisor to Franchisee.

10.5 Additions and Modifications. Franchisor has the absolute right in its sole discretion to adopt new Proprietary Marks and Copyrighted Materials for use with the System and to modify or discontinue the use of any of the existing Proprietary Marks and Copyrighted Materials, without liability to Franchisee. Such additions or modifications may be made for any reason Franchisor deems necessary or advisable, including, without limitation, the rejection of any pending application for registration of a Trademark, the cancellation or revocation of any registration of a Trademark, the discovery of superior rights held by any third party in a Trademark, the change or addition of products or services offered through the System in connection with a Trademark, or the need to refresh the System's brand. Upon reasonable written notice from Franchisor, Franchisee, at its expense, will make all changes or modifications to the Proprietary Marks specified by Franchisor.

10.6 Derivative Works and Works for Hire. Any modifications, adaptations, or developments made by Franchisee, its Affiliates, the direct or indirect owners, officers, directors, employees, independent contractors, or other staff of Franchisee or its Affiliates ("Franchisee Parties") to the Proprietary Marks, Copyrighted Materials, or any other intellectual property owned by Franchisor shall be considered derivative works ("Derivative Works"). Franchisee acknowledges that all rights, titles, and interests in and to such Derivative Works shall be owned exclusively by Franchisor. Franchisee hereby assigns and agrees to assign to Franchisor all rights, including intellectual property

rights, in and to such Derivative Works. To the extent that any intellectual property created by Franchisee Parties does not qualify as a Derivative Work, such intellectual property shall be considered "works made for hire" as defined under applicable copyright laws. Franchisee agrees that all rights, titles, and interests in and to such works made for hire shall be owned exclusively by Franchisor. If any intellectual property created by Franchisee Parties does not qualify as a "work made for hire," Franchisee hereby waives any moral and similar rights to such intellectual property and assigns to Franchisor all economic rights and all rights, titles, and interests in and to such intellectual property in perpetuity throughout the world without additional compensation or obligations to Franchisee or any Franchisee Party. Franchisee must promptly disclose to Franchisor all ideas, concepts, techniques, methods, processes, or materials concerning its Franchised Business or the Franchise System, whether or not protectable intellectual property, that any Franchisee Party conceives, develops, or adapts during the Term of this Agreement related to the Franchised Business or Franchise System. Franchisee shall execute any and all instruments and documents, render such assistance, and perform such acts and things as may, in the opinion of Franchisor, be necessary or advisable in furtherance of such assignment and waiver. Franchisee will require the same assignment, waiver, and covenant in favor of Franchisor by any Franchisee Party who developed, invented, conceived, translated, modified, or adapted intellectual property.

10.7 Franchised Business Records.

a. *Generally.* Franchisee shall prepare and maintain, on a current basis, complete and accurate records of its Franchised Business as a prudent and careful businessperson would normally keep, including, but not limited to, financial, marketing, and other business and operating records demonstrating compliance with this Agreement and the Brand Standards.

b. *Bookkeeping and Accounting Records.*

i. Franchisee shall establish and continuously use an inventory, ordering, bookkeeping, accounting, and record-keeping system conforming to the requirements Franchisor prescribes from time to time in the Brand Standards Manual, including, without limitation, invoices, cash receipts, daily reports, statements of Gross Revenue, inventory records, purchase orders, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursement journals and general ledgers together with such other equipment, records, and documents as Franchisor may from time to time require. Franchisor's requirements may include a computerized POS, inventory, ordering, bookkeeping and accounting systems, and template(s) and form(s) ("Accounting and Records Systems") that Franchisor establishes from time to time. Should Franchisor require the establishment of, or specify changes to, Accounting and Records Systems, Franchisee agrees to purchase or lease all necessary computer hardware and software and to utilize such systems and pay all fees charged by Franchisor or others for the use and maintenance of such systems.

ii. Franchisee and all personnel employed by Franchisee shall record, at the time of sale, all receipts from sales or other transactions, whether for cash or credit, on POS systems, cash registers or other equipment, software, and any related technology or systems, which may only be available from a single source designated by Franchisor.

10.8 Reports and Financial Information. Franchisee shall furnish to Franchisor such reports as Franchisor may require from time to time. Without limiting the generality of the foregoing, Franchisee shall furnish to Franchisor in the form from time to time prescribed by Franchisor (which will include

a Franchisor-prescribed chart of accounts) and together with such detail and breakdown and copies of supporting records as Franchisor may from time to time require:

- a. The Franchised Business's Monthly Gross Revenue Report required by Section 5.4.c;
- b. The Franchised Business's Monthly Profit & Loss Statement required by Section 5.4.c;
- c. On the fifth (5th) day of each month, a statement of Franchisee's Minimum Local Advertisement Spend for the prior month.
- d. On or before February 28th of each year (or on any date Franchisor otherwise provides in writing), financial statements for the Franchised Business for the prior calendar year, including a balance sheet, profit and loss statement, a change in cash position statement and a statement of retained earnings for such period, which statements shall be prepared by an independent certified public accountant, and signed and verified by Franchisee.
- e. Within thirty (30) days of the due date, a true copy of all tax returns, schedules, and reports filed by Franchisee for the Franchised Business for income, corporate, sales tax, employer health tax, or workers compensation purposes.
- f. Any other financial statements and other reports the Franchisor may request from time to time, including, without limitation, statements and reports the Franchisor may use to evaluate or compile research and performance data on any financial, operational, or other aspect of the Franchised Business.

10.9 Book and Record Retention, Manner, and Format.

- a. *Separate Books and Records.* Franchisee shall keep the Franchised Business's books and records separate from the records of any unrelated business or personal activity.
- b. *Retention.* Franchisee shall keep and preserve full and complete books and records required by this Section 11 for at least seven (7) years.
- c. *Manner and Format.* Franchisee shall prepare, maintain, and submit the records and reports required under this Section 11 in a manner and format directed by Franchisor, which may include submission through a software program in a required format. Franchisee shall advise Franchisor of the location of all original documents and shall not destroy any records without the written consent of Franchisor.

10.10 Franchisor's Restrictions. The records required under this Section 11 pertain only to Franchisee's operation of the Franchised Business. Franchisor has no right to inspect, audit, or copy the records of any unrelated business or personal activity Franchisee may have. Additionally, no requirement that Franchisor prescribes under this Section 11, including without limitation any employee-related information, is intended to exercise control over Franchisee's day-to-day operation of the Franchised Business or to assume any responsibility for Franchisee's obligations under this Agreement.

11. INSPECTIONS, QUALITY ASSURANCE, AND AUDITS.

11.1 Inspection and Audits. To determine whether Franchisee and the Franchised Business are in compliance with this Agreement, the System, and Brand Standards, Franchisor or its designees shall have the right at any reasonable time and without prior notice to Franchisee to: (1) inspect or audit

the Franchised Business, including entering upon and inspecting and auditing the Approved Site; (2) observe, photograph and videotape the operations of the Franchised Business and Approved Site for such consecutive or intermittent periods as Franchisor deems necessary; (3) remove samples of any products, material or other inventory items for testing to determine if such samples meet the Brand Standards (without paying for the samples) and Franchisor may require Franchisee to bear the cost of such testing if Franchisor has not given consent to the supplier or if the sample fails to conform to Franchisor's specifications; (d) interview, conduct surveys, or seek feedback from personnel, customers, and suppliers of the Franchised Business; and (e) inspect or audit, or cause to be inspected or audited, the financial books, records, bookkeeping, and accounting records, and any other records, reports, or documents required by this Agreement (including as set forth in Section 11) in respect of the Franchised Business, including the right, without limitation, to have a person on the Approved Site to check, verify and tabulate Gross Revenue, and/or to examine and make copies of all accounting and business records and procedures. Or to require Franchisee to send copies thereof to Franchisor or its designee ("Inspections and Audits").

11.2 Franchisee Cooperation and Assistance. Franchisee agrees to cooperate fully with Franchisor or its designee in connection with Inspections or Audits. Following each Inspection or Audit, Franchisor will provide Franchisee with a report outlining any deficiencies in the Franchised Business operations and Franchisor's required or recommended changes and improvements in the Franchised Business operations, as Franchisor deems appropriate in its sole discretion. Franchisee must take all necessary steps to immediately correct any deficiencies detected during these inspections, including, without limitation, ceasing further sale of unauthorized menu items (regardless of Franchisee's inventory) and ceasing further use of any equipment, advertising materials or supplies that do not conform with the Brand Standards.

11.3 Discrepancies and Noncompliance.

a. *Understated Financial Information.* In the event that any such audit or inspection shall disclose an understatement of Gross Revenue, royalty, or other material financial information related to the Franchised Business, Franchisee shall pay to Franchisor, within thirty (30) days after receipt by Franchisee of the inspection or audit report, the royalty and other sums due on account of such understatement. Further, if such audit or inspection is made necessary by the failure of Franchisee to furnish reports, financial statements or any other documentation as herein required, or if it is determined by any such audit or inspection that Franchisee's records and procedures were insufficient to permit a proper determination of Gross Revenue for any year or part thereof to be made, or that Gross Revenue, royalty or other material financial information for the period in question were understated by five percent (5%) or more of the Gross Revenue actually received, or that Franchisee was not complying with each of the provisions of Section 11, Franchisee shall immediately take such steps as may be necessary to remedy such default in accordance with any Franchisor requirement and Franchisee shall promptly pay to Franchisor all costs incurred in connection with such audit or inspection, including, without limitation, charges of an accountant and the travel expenses, room, board and compensation of employees of Franchisor or its designee who performed the audit or inspection. In the event any audit or inspection reveals any understatement of five percent (5%) or more as stated above, Franchisor has the right as it deems necessary to conduct further audits or inspections for up to two years thereafter, at Franchisee's expense for all costs and expenses of the subsequent audit or inspection. Franchisee acknowledges and agrees that if a subsequent audit or inspection reveals

any understatement of five percent (5%) or more, in addition to any other available remedies, Franchisor will have the right to terminate this Agreement without any opportunity to cure in accordance with Section 16.2.b of this Agreement.

b. *Estimation of Gross Revenue.* If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Revenue, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of the Gross Revenue for the period under consideration and Franchisee shall immediately pay Franchisor any amount shown thereby to be owing on account of the Royalty Fees and other sums due on account of any understatement. Any such estimate shall be final and binding upon Franchisee.

c. *Endangering the Public or the Brand's Reputation.* Recognizing that the failure of Franchisee to meet the Brand Standards may endanger the reputation and operations of other Head Spas operated under the System and/or potentially endanger the general public, Franchisee agrees that in the event operations at the Franchised Business fall below the Brand Standards, Franchisor has the right to, in addition to and not in lieu of its right to terminate this Agreement pursuant to Section 16, require that Franchisee discontinue all operations at the Franchised Business and close the Franchised Business to the public until Franchisee is able to establish to Franchisor's reasonable satisfaction that operations at the Franchised Business meet or exceed the System Standards.

d. *Enhanced Training May Be Required.* Franchisor has the right to require, at its sole discretion, that one or more members of the Franchisee's Management Team attend and successfully complete Enhanced Training at a time and location determined by Franchisor in the following circumstances: (i) a member of the Management Team fails to attend and satisfactorily complete required Additional Training; (ii) a member of the Management Team required to attend a Franchise Conference, fails to do so, in whole or in part; or (iv) Franchisor determines that Franchisee is not operating in compliance with this Agreement or the Brand Standards. In such case, Franchisee must pay Franchisor its then-current training fee (currently \$500 per day) for the Enhanced Training. Additionally, Franchisee shall be responsible for all costs and expenses Franchisee's Management Team incurs in connection with the Enhanced Training, including but not limited to travel, lodging, meals, employee/contractor/trainee wages, and other similar expenses. If any member of the Management Team does not satisfactorily complete the Enhanced Training, which shall be determined at Franchisor's sole discretion, Franchisor reserves the right to terminate this Franchise Agreement.

12. INDEMNIFICATION AND INSURANCE

12.1 NO LIABILITY. FRANCHISOR SHALL NOT BE RESPONSIBLE OR OTHERWISE LIABLE FOR ANY INJURY, LOSS, OR DAMAGE SUFFERED BY ANY PERSON OR PROPERTY DIRECTLY OR INDIRECTLY ARISING OUT OF FRANCHISEE'S OPERATION OF THE FRANCHISED BUSINESS. FRANCHISOR WILL HAVE NO LIABILITY FOR FRANCHISEE'S OBLIGATIONS TO PAY THIRD PARTIES, INCLUDING ANY LANDLORDS AND PRODUCT VENDORS. _____(FRANCHISEE'S INITIALS).

12.2 Franchisor's Indemnification Obligations to Franchisee. Franchisor agrees to indemnify Franchisee against and reimburse Franchisee for all damages for which Franchisee is held liable in any trademark infringement proceeding arising out of Franchisee's use of any Proprietary Mark pursuant to and in compliance with this Agreement and for all costs and expenses Franchisee reasonably incurs in the defense of any such claim in which Franchisee is named as a party, so long as Franchisee has

timely notified Franchisor of the claim, has not altered the Proprietary Mark, and has otherwise complied with this Agreement. Franchisor may require Franchisee's assistance, but Franchisor will exclusively control any proceeding or litigation relating to Franchisor's Proprietary Marks.

12.3 Franchisee's Indemnification Obligation to Franchisor.

a. *Duty to Defend, Indemnify, and Hold Harmless.* During the Term and Renewal Terms and after the termination or expiration of this Agreement, Franchisee shall defend, indemnify, and hold harmless Franchisor and its Affiliates, parents, subsidiaries, and related companies, and their respective owners, directors, officers, employees, agents, attorneys, successors, and assigns, and the spouses of any such individuals (the "Indemnified Parties") against any and all claims, demands, actions, suits; proceedings obligations, fines, judgments, losses, liabilities, and damages (actual, consequential, or otherwise); and costs and expenses (including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced) (collectively, "Claims") made against any Indemnified Party of any kind or nature whatsoever, directly or indirectly, arising out of the Franchised Business, including, but not limited to those Claims concerning:

- i. Franchisee's use or operation of the Franchised Business;
- ii. A breach of this Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument by which the right to occupy any Approved Site used by Franchisee to operate the Franchised Business is held by Franchisee;
- iii. Any injury to, or loss of property of, any person in, or on, any Approved Site used by Franchisee to operate the Franchised Business;
- iv. Franchisee's taxes, liabilities, costs, or expenses of its Franchised Business;
- v. Any negligent or willful act or omission of Franchisee, its officers, directors, managers, members, partners, employees, agents, services, contractors, or others for whom it is, in law, responsible;
- vi. Any violation of any federal, state, or local law, ordinance, or regulation imposing requirements or prohibitions on Franchisee in the operation of the Franchised Business;
- vii. Any advertising or promotional material distributed, broadcasted, or in any way disseminated by Franchisee, or on Franchisee's behalf, unless such material has been produced or approved in writing by Franchisor;
- viii. Any loss of data, including, but not limited to customer information, resulting from a breach of such data caused, in whole or in part, by Franchisee or Franchisee's negligence; and
- ix. Franchisee's employment or other contractual relationship with Franchisee's employees, workers, managers, or independent contractors, including but not limited to, any allegation, claim, finding, or ruling that Franchisor is an employer or joint employer of Franchisee's employees;
- x. Franchisee's failure to pay the monies payable (to Franchisor or any of Franchisor's Affiliates) pursuant to this Agreement, or to do and perform any other act, matter, or thing

required by this Agreement;

xi. Any action by Franchisor to obtain performance by Franchisee of any act, matter, or other thing required by this Agreement; and

xii. Any other act, omission, or occurrence for which the Franchisee is responsible under this Agreement or applicable law.

_____(FRANCHISEE'S INITIALS).

b. *Indemnified Party's Right to Defend and Settle Claims.* Each Indemnified Party may defend any Claim against it at Franchisee's expense and agree to settlements or take other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that Franchisor does not waive its rights to indemnification should Franchisor defend itself, settle the Claim, or take any other action to protect its interest with respect to the Claim. Franchisee further agrees that Franchisor's failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section. _____(FRANCHISEE'S INITIALS).

c. *Insurance and Reimbursement Obligations.* Franchisee shall maintain adequate insurance coverage, as specified in this Agreement, to fulfill its obligations hereunder. However, Franchisee's lack of insurance coverage, in whole or in part, does not relieve Franchisee of its defense and indemnification obligations. Franchisee shall promptly reimburse the Indemnified Parties for any costs and expenses incurred in connection with the defense of any Claim, including reasonable attorney's fees. _____(FRANCHISEE'S INITIALS).

d. *Notification of Claims.* Franchisee shall notify Franchisor within three (3) days after receiving notice of any Claim based upon or arising out of the Franchised Business. _____(FRANCHISEE'S INITIALS).

12.4 Franchisee Insurance.

a. *Insurance Requirements.* Franchisee must protect the Franchised Business and Franchisor against liability and loss. Franchisee must purchase and maintain in full force and effect, at Franchisee's expense and from a company Franchisor accepts, insurance that insures both Franchisee and Franchisor and any other persons that Franchisor designates by name. The insurance policy or policies must be written in accordance with the standards and specifications (including minimum coverage amounts) set forth in this Agreement, the Brand Standards Manual, or provided in writing by Franchisor from time to time, which may be modified at any time in Franchisor's sole discretion.

b. *Current Minimum Coverage Requirements:* Within sixty (60) days after executing Franchisee's lease or purchase agreement, Franchisee must obtain the following insurance policies and coverage amounts, at minimum, from an insurance company licensed in Franchisee's state of operation and having at least an "A" rating classification, as indicated in A.M. Best's Key Rating Guide:

<u>Professional Liability Coverage</u>
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- Exposures: Exposures covered by the professional liability policy must include the following: (1) Bodily injury claims arising from professional exposures, including massage, facials, waxing and chemical peels; and (2) Bodily injury claims arising out of professional services performed by beauticians.
- Policy Limits: The limits must be at least \$1 million per occurrence and \$3 million in the aggregate.
- Coverage Features: (1) all employees must be covered whether full or part-time; (2) Franchisor must be named as an additional insured; (3) severability of interests and/or separation of insured provisions must be included in the liability policies and all policies must be primary and non-contributing with any insurance policy carried by Franchisor; and (5) the insurance policy must contain a waiver of all subrogation rights against Franchisor and all successors and assigns.

General Liability Coverage

- Exposures: Exposures covered by the General Liability policy must include the following: (1) Slips and falls; (2) Bodily injury (except for that arising out of professional services); and (3) Personal and advertising injury.
- Policy Limits: The limits must at least \$1,000,000 and \$3,000,000 in the aggregate, including Fire Damage limit of \$100,000, Medical Expense limit of \$5,000, and Sexual Abuse Liability coverage w/ minimum limits of \$25,000 per occurrence/\$50,000 aggregate. The aggregate limits shall be “Per Location” aggregate limits when multiple franchise locations are insured under one comprehensive policy.
- Coverage Features: (1) coverage must include all products, services, and completed operations; (2) Franchisor must be named as an additional insured; (3) severability of interests and/or separation of insured’s provisions must be included in the liability policies and all policies must be primary and non-contributing with any insurance policy carried by Franchisor; and (5) the insurance policy must contain a waiver of all subrogation rights against Franchisor and all successors and assigns.

Property Coverage

- Exposures: Exposures covered by the property policy must include the following, as well as adhering to what is consistent with the landlord’s requirements: (1) Replacement cost coverage for all real and personal property or Real property is the building, if it is owned or rented and coverage is required by lease; (2) Personal property must include contents including furniture, fixtures and equipment as well as tenant improvements and betterments; and Business income for the financial loss sustained due to a property loss from a covered peril.
- Coverage Features: (1) policies should be written on no more than an 80% co-insurance basis; and (2) replacement cost coverage will require submission of building construction and updates.

Employment Practices Liability (“EPLI”)

- Exposures: Exposures covered by the EPLI policy must include the following: (1) Discrimination (due to gender/race/religion/orientation); (2) Allegation of inappropriate professional behavior to a client or third party such as harassment and refusal to treat; (3) Sexual harassment; (4) Wrongful termination or a retaliation accusation in the case of

layoffs or wrongful termination; and (5) Family Medical Leave Act (“FMLA”) violations and inadequacy in procedures of evaluation, reviews, and discipline.

- Policy Limits: The limits must be at minimum \$500,000 per occurrence/aggregate limit. The aggregate limits shall be “per location ” when multiple franchise locations are insured under one comprehensive policy.
- Coverage Features: (1) policies may be claims-made coverage; and (2) policies must provide third party coverage.

Automobile Liability Insurance

Automobile Liability Insurance is required and must cover non-owned and hired vehicles with a combined single limit of at least \$1 million.

Cyber Liability Insurance

- Exposures: Exposures covered by the Cyber Liability policy must include the following:
- First-Party Coverage shall include: (1) Business Interruption and Extra Expense; (2) Data Recovery; (3) Cyber-Extortion; (4) Data Breach Response and Crisis Management; and (4) a PCI-DSS Endorsement.
- Third-Party Coverage shall include: (1) Technology and Professional Services; (2) Media; (3) Privacy and Cyber Security; and (4) Privacy Regulatory Defense, Awards, and Fines.
- Limits: (1) First-party Coverage policy limits be at least \$1 million per claim; and (2) Third-Party Coverage limits must be at least \$1 million per claim.

Insurance Required by Law

Franchisee shall obtain any other such insurance coverages or amounts as required by law or other agreements related to the Franchised Business.

c. *Certificates of Insurance*. Within ten (10) days after issuance, including each renewal, Franchisee must provide Franchisor with a copy of the certificate of insurance (“COI”) demonstrating all of the required insurance is in effect, including the coverage features. The COI must state that Franchisee’s insurance policies may not be cancelled or altered without at least thirty (30) days’ prior written notice to Franchisor. Thereafter, Franchisee must provide copies of the COIs on an annual basis. Franchisor may at any time, in its sole discretion, request certified copies of any of the required insurance policies.

d. *Tail Insurance*. Should any of the required insurance policies be written on a claims-made basis, Franchisee shall obtain tail insurance for a period of at least three (3) years following the termination or expiration of this Agreement, including any Transfer. Franchisee shall provide Franchisor with a copy of the COI relating to the tail insurance on an annual basis following the termination or expiration of this Agreement, including any Transfer.

13. RESTRICTIVE COVENANTS

13.1 Ownership, Proprietary, and Confidential Nature of the System.

a. *Ownership*. The System is unique. Franchisor's Confidential Information is the sole, exclusive, proprietary, and confidential property of Franchisor, and are provided or revealed to Franchisee in confidence. Franchisee hereby acknowledges that Franchisor’s System and Confidential Information, including, but not limited to, the contents of the Brand Standards

Manual, are on loan to Franchisee and must at all times remain in the custody of Franchisee.

b. *Proprietary and Confidential Nature.* Franchisee acknowledges that it has had no part in the creation or development of nor does it have any property or other rights or claims of any kind in or to any element of the System, the Proprietary Marks, or any Confidential Information, including, but not limited to, any matters dealt with in the Brand Standards Manual. Franchisee's entire knowledge of the operation of its Franchised Business, the System, and the concepts and methods of promoting the Franchised Business, that it has now or obtains in the future, is derived from Franchisor's Proprietary Marks and Confidential Information. Franchisee also acknowledges that all disclosures made to Franchisee relating to the System and Confidential Information, including, without limitation, the specifications, standards, procedures, and the entire contents of the Brand Standards Manual, are communicated to Franchisee solely on a confidential basis and as trade secrets, in which Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure.

c. *Non-Disclosure and Restricted Use.* Franchisee agrees to maintain the confidentiality of all Confidential Information during the term of this Agreement and at any time thereafter and may not disclose any portions of the System and Confidential Information, including, but not limited to, the Brand Standards Manual or any information whatsoever with respect to Franchisee's or Franchisor's business affairs or the System, other than as may be required to enable Franchisee to conduct its business. Franchisee further agrees not to use any Confidential Information in any other business or in any manner not specifically approved in advance in writing by Franchisor.

d. *Obligation Extends to Franchisee's Staff.* Franchisee shall inform all employees before communicating or divulging any Confidential Information to them of their obligation of confidence. In addition, subject to applicable law, Franchisee shall obtain a written agreement, in form and substance satisfactory to Franchisor, from Franchisee's employees, landlord, contractors, and any other person having access to Confidential Information that they shall maintain the confidentiality of the Confidential Information and they shall recognize Franchisor as a third-party beneficiary with the independent right to enforce the covenants either directly in Franchisor's own name as beneficiary or acting as agent. Franchisee hereby appoints Franchisor as its agent with respect to the enforcement of these covenants. At Franchisor's request, all executed agreements must be forwarded to Franchisor to ensure compliance. Franchisee shall retain all written Confidentiality Agreements with Franchisee's business records, shall enforce all covenants, and shall give Franchisor notice of any breach or suspected breach of which Franchisee has knowledge.

e. *Return, Deletion, or Destruction.* Upon the Transfer, expiration, nonrenewal, or termination of this Agreement, for any reason whatsoever, Franchisee shall immediately return to Franchisor, delete, or destroy the Confidential Information, at Franchisor's sole discretion and direction, and shall retain no copy or reproduction.

13.2 Non-Competition, Non-Solicitation, and Non-Disparagement. In consideration of Franchisor entering into this Agreement:

a. *During the Term of the Agreement.* During the Term of this Agreement, Franchisee, its direct and indirect owners, Guarantor(s), and the immediate family members of Franchisee, its direct and indirect owners, and Guarantor(s) shall not, directly or indirectly, for themselves, or

through, on behalf of, or in conjunction with any other person, partnership, company, or corporation:

- i. own, maintain, engage in, be employed by, or have any interest in any other business that offers head spa services, dry bar services, or any other products or services offered by the Franchised Business (“Competing Business”); provided, however, Franchisee may operate another Franchised Business for which Franchisor and Franchisee have executed a separate franchise agreement ;
 - ii. solicit business from clients of Franchisee’s Franchised Business for any competitive business purpose;
 - iii. solicit any employee of Franchisor or any other Modern Halo™ System franchisee to discontinue their employment with Franchisor or any other Modern Halo™ System franchisee;
 - iv. own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor; or
 - v. attempt to gain an unfair advantage over other franchisees, Franchisor, or any Affiliates thereof by, including, but not limited to, defaming, making false or misleading public statements, or soliciting any customer of Franchisor, other franchisees, or any Affiliates.
- b. *After Transfer, Expiration, Nonrenewal, or Termination of Agreement.* For a period of two (2) years after the expiration, nonrenewal, Transfer, or termination of this Agreement, regardless of cause, Franchisee, its direct and indirect owners, Guarantor(s), and the immediate family members of Franchisee, its direct and indirect owners, and Guarantor(s) shall not, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person, partnership, company, or corporation:

- i. own, maintain, engage in, be employed by, or have any interest in any other business that offers head spa services, dry bar services, or any other products or services offered by the Franchised Business (“Competing Business”) within a fifteen (15) mile radius of the Franchised Business or any other Modern Halo™ Head Spa in operation, under construction, or of any site for which a letter of intent, purchase agreement, or lease has been signed for a Modern Halo™ Head Spa, as of the date of the expiration, nonrenewal, Transfer, or termination of this Agreement; provided, however, Franchisee may continue to operate any other Franchised Business for which Franchisee and Franchisor have a current franchise agreement;
- ii. solicit business from clients of Franchisee's former Franchised Business for any competitive business purpose;
- iii. solicit any employee of Franchisor or any other Modern Halo™ System franchisee to discontinue their employment with Franchisor or any other Modern Halo™ System franchisee;
- iv. own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor; or
- v. attempt to gain an unfair advantage over other franchisees, Franchisor, or any Affiliates thereof by, including, but not limited to, defaming, making false or misleading public

statements, or soliciting any customer of Franchisor, other franchisees, or any Affiliates.

This two (2) year period shall be tolled during any period of noncompliance and extend thereafter.

14. TRANSFER, ASSIGNMENT, DEATH, OR INCAPACITY OF FRANCHISEE.

14.1 Transfer by Franchisee.

a. *Franchisor's Prior Written Consent Required.* The franchise granted under this Agreement is personal to the Franchisee. The Franchisor, in entering into this Agreement, relied on the information Franchisee provided to Franchisor related to Franchisee's business skills, business acumen and experience, personal character, education, credit rating, and financial resources (individually if Franchisee is a natural person; or in reliance on such qualifications of the owners, members, partners, or stockholders of Franchisee if Franchisee is a legal entity). Accordingly, Franchisee shall not make a Transfer without, in each case, obtaining the prior written consent of the Franchisor, which consent shall not be unreasonably withheld; provided, however, that prior to any proposed Transfer, Franchisor has the unfettered right to require that any or all of the conditions listed in this section be met. The term Transfer as used in this Section 15 shall have the meaning defined in Section 1.23 of this Agreement.

b. *Notice of Intent to Transfer by Franchisee.* Any proposed Transfer by the Franchisee shall be initiated by the Franchisee providing the Franchisor with not less than ninety (90) days' notice prior to the proposed Transfer date of the Franchisee's intention to make a Transfer ("Notice of Intent") along with a \$1,000 non-refundable deposit, which shall be deducted from the Transfer Fee should the Transfer be approved and effectuated. Any actual, attempted, or purported Transfer without the Franchisor's prior written consent shall constitute a breach of this Agreement and shall be null and void. The Franchisee agrees to initiate the Transfer process by advising the Franchisor of the intent to Transfer its Franchised Business by sale or otherwise and requesting procedural/administrative instructions.

c. *Right of First Refusal.* Without in any way derogating from the Franchisor's right to reject a proposed Transfer in accordance with this Agreement, if at any time or times during the Initial Term or any renewal of this Agreement, the Franchisee obtains a bona fide offer (the "Offer") to acquire the whole or any part of its interest in the Franchised Business in any manner within the meaning of Transfer, which Franchisee wishes to accept, Franchisee shall promptly give written notice thereof to the Franchisor together with a true copy of the Offer. Upon receipt of such notice and Offer, Franchisor shall have the option of purchasing the property forming the subject matter thereof upon the same terms and conditions as those set out in the Offer, except that: (i) there shall be deducted from the purchase price the amount of any commissions, fee or transfer fee that would otherwise have been payable to Franchisor, any broker, agent or other intermediary in connection with the Transfer; and (ii) Franchisor shall have the right to substitute cash for any other form of consideration specified in the Offer and to pay in full the entire purchase price at the time of closing. Franchisor may exercise its option at any time within sixty (60) days after receipt of the said notice by giving written notice to Franchisee. If Franchisor declines to exercise such an option and if Franchisor approves such Transfer in accordance with this Agreement, Franchisee shall be at liberty to complete the Transfer to such third-party transferee in accordance with the Offer, provided that, notwithstanding the terms of the Offer, such transaction must be completed within ninety (90) days of the date on which Franchisor notifies the Franchisee of its approval of such transaction. If the transaction is not completed within ninety (90) days, the

foregoing provisions of this right of first refusal shall apply again in respect of the proposed Transfer and so on from time to time.

d. *Conditions for Approval of the Transfer.* If Franchisee shall at any time seek to Transfer the Franchised Business, Franchisee understands that no Transfer will be approved by Franchisor or be effective unless and until all the following conditions are satisfied:

i. Franchisee is in full compliance with this Agreement and the Brand Standards Manual.

ii. The proposed Transfer is at least one (1) year after the Franchised Business first opened for business, or if the Franchised Business was already open on the Effective Date, then at least one (1) year after the Effective Date.

iii. The transferee (and its owners, members, or partners, if the transferee is an entity) has adequate financial resources and meets all criteria established by Franchisor for franchisee candidates, in Franchisor's discretion, including, but not limited to, experience, personal and financial reputation and stability, willingness, and ability to devote their full time and best efforts to the operation of the Franchised Business, and any other conditions Franchisor may reasonably apply in evaluating new franchisees.

iv. Franchisee shall, at Franchisor's request, prepare and furnish to the transferee and/or Franchisor such financial reports and other data related to the Franchised Business and its operations as Franchisor deems reasonably necessary or appropriate for the transferee and/or Franchisor to evaluate the Franchised Business and proposed Transfer. Franchisee agrees that Franchisor may confer with and furnish the proposed transferee with information concerning the Franchised Business and the terms and conditions of the proposed Transfer without any liability, except for intentional misstatements to the proposed transferee by Franchisor.

v. If the Transfer is a Transfer of assets, transferee provides written acknowledgment to Franchisor that they are purchasing all of Franchisee's assets used in the operation of the Franchised Business and assuming all of the liabilities of the Franchised Business, unless (1) such liabilities have been paid prior to the closing of the transaction of the Transfer, or (2) the sale is a sale of shares in the capital stock, membership interest, or partnership interest of the Franchisee.

vi. If the Transfer is an assignment of this Franchise Agreement, the transferee provides written acknowledgment to Franchisor that they shall be deemed to be Franchisee under this Agreement and will be bound by and liable for all Franchisee's existing and future obligations.

vii. The transferee executes Franchisor's then-current form of the franchise agreement (which may contain provisions substantially different from the terms contained herein, including higher Royalties, Brand Fund Contributions, and other fees) and such other documents then customarily used by Franchisor to grant franchises, including, but not limited to all exhibits to the Franchise Agreement, such as the Statement of Franchisee Ownership (Schedule 2) and the Guarantee, Indemnification, and Acknowledgment (Schedule 3). However, the transferee shall not be obligated to pay the Initial Franchise Fee.

viii. The transferee agrees to upgrade, remodel, and refurbish the Franchised Business's Approved Site and assets up to Franchisor's then-current standards, including, but not limited to, any Technology, furniture, fixtures, and design.

ix. Franchisee pays to Franchisor a transfer fee equal to twenty-five percent (25%) of the then-current initial franchise fee, or \$10,000 if Franchisor is not then offering franchises for sale ("Transfer Fee") and an amount equal to Franchisor's expenses actually incurred with respect to the granting of its approval, including, but not limited to, all of its legal costs with respect to the preparation and execution of the Transfer agreement and the then current form of the franchise agreement and corresponding documents, and any brokerage commissions, finder's fees, placement fees, and other similar charges, if any.

x. Franchisee agrees in writing to comply with all of its termination and post-termination obligations set forth in this Agreement, including, but not limited to, execution of the general release in a form satisfactory to Franchisor, obtaining tail insurance, if required, and complying with confidentiality and non-compete terms and conditions.

e. *Transfer by Franchisee to an Entity Franchisee Completely Owns and Controls.* Notwithstanding the provisions of this Section, Franchisee may, subject to the following terms and conditions in this subsection, Transfer this Franchise Agreement and the rights and obligations hereunder to a corporation or other business entity that is completely owned and controlled by Franchisee, including any and all issued and outstanding shares:

i. Franchisee must provide organizing documents that (1) show the transferee entity is newly organized; (2) define the transferee entity's sole purpose as confined exclusively to acting as franchisee for the sole purpose of operating the Franchised Business under this Franchise Agreement; (3) confirm that the initial Franchisee remains the sole owner of the stock, interest, or membership of any transferee entity; (4) disclose the names, addresses, and contact information for all officers, directors, or other principals of the transferee entity; (5) restricting any Transfers of the new entity under the same terms and conditions as provided in this Agreement; and (6) providing that the transferee entity is bound by the terms of this Agreement and any all corresponding documents and agreements.

ii. Franchisee acknowledges and agrees that such Transfer in no way releases Franchisee from any liability under this Agreement and Franchisor's consent to a Transfer does not constitute a waiver of any claim it may have against Franchisee, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by Franchisee;

iii. Franchisee continues to devote its best efforts to the day-to-day operation and development of the Franchised Business;

iv. Franchisee and transferee entity must execute a document to which Franchisor is a party, in such form as shall be approved by Franchisor, and in which it agrees to be a party to and be bound by all of the provisions of this Franchise Agreement;

v. Franchisee is, or if there are multiple Franchisees, Franchisees are, the sole owner(s) of the stock, partnership interest, or membership of the entity and has/have complete authority to act for the entity;

vi. Franchisee pays Franchisor a reduced transfer fee of \$1,500 prior to the effective date of such Transfer and an amount equal to Franchisor's expenses actually incurred with respect to the granting of its approval, including, but not limited to, all of its legal costs with respect to the preparation and execution of the Transfer agreement and the then current form of the

franchise agreement and corresponding documents, and any brokerage commissions, finder's fees, placement fees, and other similar charges, if any; and

vii. The transferee entity and all of its owners and their spouses, as applicable, shall timely deliver a revised, updated, and accurate Statement of Franchisee Ownership (Schedule 2) and the Guarantee, Indemnification, and Acknowledgment (Schedule 3), and any other agreement required by Franchisor at the time of the Transfer.

f. *Death or Permanent Incapacity of Franchisee.* Upon the death or permanent incapacity of an individual Franchisee or a controlling owner of the Franchisee, if such person has at the date of such death or permanent incapacity a spouse or any adult children surviving, the following shall apply:

i. If the surviving spouse and/or adult child desire and are, in the reasonable opinion of Franchisor, capable of carrying on the Franchised Business, the said spouse and/or adult child shall have the right to continue to operate the Franchised Business provided that they shall directly covenant and agree with Franchisor to be bound by the terms and conditions of this Agreement and any other agreements made between Franchisor and Franchisee;

ii. If the surviving spouse and/or an adult child do not desire or are not, in the reasonable opinion of Franchisor, capable of carrying on the Franchised Business or cannot devote their full time and attention to the Franchised Business or if Franchisee does not have a spouse or adult child surviving, Franchisor shall have the right to purchase all or any part of the assets of Franchisee used in the operation of the Franchised Business for a purchase price equal to the "asset value" of Franchisee's assets less all proper business liabilities assumed by the Franchisor as of the date the said purchase is completed. If Franchisor seeks to exercise such right, Franchisor will give written notice to Franchisee or to Franchisee's estate within ninety (90) days of the date of Franchisee's death or death of the controlling owner of Franchisee or the date upon which Franchisee's or controlling owner's permanent incapacity arises.

iii. To satisfy the aforesaid purchase price, Franchisor shall pay the difference between the "asset value" and the amount of the liabilities assumed by it, on the date of the completion of the purchase by way of cash or certified check. If the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the parties are unable to agree on an appraiser, they shall each appoint an appraiser, and such appraisers shall mutually agree to an appointed appraiser. The parties shall equally bear the costs and expenses of such appraisal. If Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate, but Franchisee may be required to lease the real estate for the remainder of the Term (excluding additional renewals) for fair market value.

iv. Franchisee or any controlling owner shall be deemed to have a "permanent incapacity" if the usual participation of Franchisee or any controlling owner in the Franchised Business is significantly curtailed for a cumulative period of sixty (60) days in any six-month period during the term of this Agreement, including renewals, due to physical and/or intellectual incapacity as determined by a medical provider or as evidenced by the appointment of a guardian, custodian, or trustee.

14.2 Transfer or Assignment by Franchisor. Franchisee acknowledges that Franchisor's obligations under this Agreement are not personal. Franchisor shall have the absolute right, in its sole discretion,

to unconditionally Transfer and assign this Agreement or any of the rights or obligations under this Agreement to any person or legal entity without prior notice to or consent of Franchisee, including the operator of a competing national or regional chain or franchise system. Specifically, and without limitation of the foregoing, Franchisee agrees that Franchisor may sell its assets and/or its interest in the Marks or the System to a third party; may offer its securities privately or publicly; may merge, acquire other entities or be acquired by another entity directly or indirectly; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; may permit and participate in any transfer or distribution of its ownership interests or securities in connection with a spinoff. With regard to any or all of the above sales, assignments, and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer and from any and all future liability under any of the terms, covenants, or conditions, express or implied, contained in this Agreement, which have been assigned. In the event of a transfer or assignment of this Agreement by Franchisor, Franchisor shall be freed and relieved of any and all liability under this Agreement. Franchisee agrees to look solely to the assignee for performance of Franchisor's obligations hereunder that have been assigned. Nothing contained in this Agreement shall require Franchisor to continue any business operating under the System or to offer any services or products, whether or not bearing the Marks, to Franchisee if Franchisor assigns its rights in this Agreement in accordance with the provisions of this subparagraph.

15. TERMINATION AND DEFAULT

15.1 Termination by Franchisee.

a. *Termination With Cause.* If Franchisee is not in material default of this Agreement, Franchisee may terminate this Agreement as a result of Franchisor's breach of a material provision of this Agreement provided that: (i) Franchisee provides Franchisor with written notice of the breach that identifies the grounds for the breach; and (ii) Franchisor fails to cure the breach within thirty (30) days after Franchisor's receipt of the written notice. Notwithstanding the foregoing, if the default is curable but is of a nature that cannot be reasonably cured within the prescribed cure period and Franchisor has commenced and is continuing to make good faith efforts to cure the default during such prescribed cure period, Franchisor shall be given an additional reasonable period of time to cure the default, but in no event longer than thirty (30) additional days. If Franchisor fails to cure the breach, the termination will be effective thirty (30) days after the cure period, or any extension thereof.

b. *Termination Without Cause.* Any other termination of this Agreement by Franchisee shall be deemed to be a termination without cause, and a breach hereof, by Franchisee.

c. *Franchisee Obligations.* Regardless of whether the termination is with or without cause, Franchisee's termination of this Agreement will not release or modify Franchisee's post-termination obligations set out in this Agreement and Franchisee shall not, on grounds of alleged nonperformance by Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Agreement against any monies owed to Franchisee, which right of set-off is hereby expressly waived by Franchisee.

15.2 Termination by the Franchisor.

a. *Automatic Termination.* Franchisee will be in default of this Agreement, Franchisee must

pay Franchisor a \$500 default fee (in addition to all other applicable fees and costs, including late payment fees and interest), and the Agreement will automatically terminate without notice to Franchisee upon any of the following events:

- i. Franchisee becomes insolvent or makes a general assignment for the benefit of creditors;
- ii. Franchisee files a petition in bankruptcy or a petition is filed against Franchisee and not opposed by Franchisee;
- iii. Franchisee is adjudicated bankrupt or insolvent;
- iv. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;
- v. Proceedings for a composition with creditors under the applicable law of any jurisdiction are instituted by or against Franchisee;
- vi. A final judgment remains unsatisfied or of record for thirty days or longer (unless a supersedeas bond is filed or other steps are taken to stay effectively the enforcement of such judgment in the relevant jurisdiction);
- vii. Franchisee is dissolved or liquidated;
- viii. Execution is levied against Franchisee's property or business;
- ix. Suit to foreclose any lien or mortgage against the Approved Site or equipment of any Franchised Business is instituted against Franchisee and not dismissed within thirty (30) days;
- x. The real or personal property of any Franchised Business is sold after levy by any sheriff, marshal, constable, or equivalent governmental authority or
- xi. Franchisee fails to reopen the Franchised Business after damage, destruction, or a Force Majeure Event in accordance with the terms of Section 17.4 of this Agreement.

b. *Termination Upon Notice Without Opportunity to Cure.* Franchisee will be in default, Franchisee must pay Franchisor a \$500 default fee (in addition to all other applicable fees and costs, including late payment fees and interest), and Franchisor may, at its option, terminate this Agreement and all rights granted by it without affording Franchisee any opportunity to cure the default (effective immediately upon receipt of written notice by Franchisee) upon the occurrence of any of the following events:

- i. Franchisee fails to complete construction of the Franchised Business and to open for business within twelve (12) months of execution of this Agreement or the opening extension date approved by Franchisor in accordance with Section 6.11 of this Agreement.
- ii. Franchisee fails to successfully complete Franchisor's Onboarding Training Program in accordance with Section 6.1 of this Agreement.
- iii. Franchisee at any time gives written notice to Franchisor that it will voluntarily abandon the Franchised Business within thirty (30) days; with or without notice, ceases to operate the Franchised Business or otherwise abandons the Franchised Business by failing to operate the Franchised Business for more than five (5) consecutive days without written permission from Franchisor; loses the right to possession of the Approved Site of the

Franchised Business; or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. Provided, however, that if, through no fault of Franchisee, the Approved Site is damaged or destroyed by an event not within the control of Franchisee such that repairs or reconstruction cannot be completed within one hundred eighty (180) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Approved Site, which approval shall not be unreasonably withheld, but may be conditioned upon the payment of an agreed minimum Royalty to Franchisor during the period in which the Franchised Business is not in operation.

iv. Franchisee (or if Franchisee is an entity, any of Franchisee's stockholders, members, or partners) is convicted of a felony involving moral turpitude or any other crime that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interest therein.

v. A material threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business; a material threat or danger to the public health or safety results from a material violation of any health and safety laws, rules, or regulations, which poses a significant public health and safety concern; or the Franchised Business is closed as a result of a failed inspection by the health or similar department, and in such event, Franchisor determines, in its sole discretion, that critical violations of applicable health and safety codes are the result of repeated or material failure by Franchisee to comply with the requirements of the Agreement or the health department. Notwithstanding anything in this Agreement to the contrary, Franchisor shall have the right, in lieu of exercising any right of termination, to require that the Franchised Business be closed to the public and/or remain closed until the applicable health or safety matters are cured. A complaint or claim initiated by a third party other than a government authority shall not be deemed a material threat or danger to public health or safety as set forth in this Section.

vi. Franchisee, or any partner, shareholder, or member of the Franchisee, purports to Transfer any rights or obligations under this Agreement or any interest in Franchisee to any third party without Franchisor's prior written consent contrary to the transfer provisions of this Agreement.

vii. Franchisee fails to comply with the in-Term non-competition or non-solicitation covenants in this Agreement.

viii. Franchisee discloses or divulges the contents of the System, Brand Standards Manual, or any other Confidential Information provided to Franchisee by Franchisor.

ix. An approved Transfer is not effected as required by this Agreement following the death or mental incapacity of a person as described therein.

x. Franchisee knowingly maintains false books or records or submits any false reports to Franchisor (including, but not limited to, the information provided as part of Franchisee's application for his franchise) or underreports Gross Revenue.

xi. Franchisee, any Affiliate or successor of Franchisee, any direct or indirect beneficial owner of Franchisee or its Affiliates, or any business or entity that has in common with Franchisee one or more partners, members, shareholders, officers, directors, or other persons

occupying a similar status or performing similar functions (“Franchisee Parties”) commits any act of default under any other Franchise Agreement, lease or sublease, asset purchase agreement, promissory note, or any other agreement entered into by one or more Franchisee Parties and Franchisor if Franchisee or the applicable Franchisee Party fails to cure that default within the cure period applicable to the breach of that other agreement.

xii. Franchisee materially defaults more than three times in any twelve (12) month period, whether or not cured after notice, and regardless of whether such defaults relate to the same or different events.

xiii. Franchisee uses any of the Marks or Copyrighted Materials in any unauthorized manner.

xiv. Franchisee (or if Franchisee is an entity, any of Franchisee’s stockholders, members, or partners) engages in any conduct or practice that is fraudulent, unfair, unethical, or deceptive practice.

xv. Franchisee contests in any court or proceeding the validity of Franchisor’s ownership of the Marks or Copyrighted Materials.

xvi. Franchisee makes any misrepresentation in Schedule 2 of this Agreement and/or violates the Anti-Terrorism Laws.

xvii. Franchisee relocates the Franchised Business without written approval from Franchisor.

xviii. Franchisee submits on two (2) or more occasions during the Term a report, financial statement, tax return, schedule, or other information or supporting record which understates its Gross Revenue by more than five percent (5%) unless Franchisee demonstrates that such understatement resulted from inadvertent error.

xix. Any other material default of this Agreement or Brand Standards that, by its nature, cannot be cured, in Franchisor’s sole discretion, due to the irreparable harm it causes to the Franchisor’s brand, reputation, or business operations, including, but not limited to, actions or omissions that fundamentally undermine the trust and integrity essential to the Franchisor’s brand and business model.

c. *Termination with a 10-Day Cure Period.* Franchisor, in its sole discretion, may terminate this Agreement by giving written notice of default and termination to Franchisee, stating the nature of the default at least ten (10) days prior to the effective date of termination, provided, however, Franchisee may avoid termination by immediately curing, providing proof to Franchisor that the default has been cured to Franchisor’s satisfaction, and paying Franchisor a \$500 default fee (in addition to all other applicable fees and costs, including late payment fees and interest) within the ten (10) day period, or such longer period as applicable law may require (“10-Day Cure Period”). If such default is not cured within the 10-Day Cure Period, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the 10-Day Cure Period. This Section shall apply upon the occurrence of any of the following events:

i. Franchisee fails to pay any amounts due to Franchisor, its Affiliates, or Approved Suppliers by the due date for such payments.

ii. Franchisee fails, refuses, or neglects to maintain all required insurance.

iii. Franchisee fails, refuses, or neglects to submit any document, report, statement, financial statement, tax return, schedule, or other information or supporting records required herein or requested by Franchisor.

iv. Franchisee fails, refuses or neglects to accurately report Gross Revenues, sales information, or other information required to be reported or requested by Franchisor.

v. Franchisee sells or offers for sale any unauthorized merchandise, product, or service; engages in any unauthorized business; engages in any unauthorized use of the Marks or Copyrighted Materials; or uses a name or Mark which is confusingly similar to the Marks.

d. *Termination After 30-Day Cure Period.* Upon the occurrence of any other default by Franchisee that, in Franchisor's sole discretion, is curable, Franchisor in its sole discretion, has the right to terminate this Agreement by giving written notice of default and termination to Franchisee, stating the nature of the default at least thirty (30) days prior to the effective date of termination; provided, however, Franchisee may avoid termination by immediately curing, providing proof to Franchisor that the default has been cured to Franchisor's satisfaction, and paying Franchisor a \$250 default fee in addition to all other applicable fees and costs, including late payment fees and interest) within the thirty (30) day cure period, or such longer period as applicable law may require ("30-Day Cure Period"). If such default is not cured within the 30-Day Cure Period, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the 30-Day Cure Period.

e. *Cure-Period Extension.* Notwithstanding the foregoing, if the default is curable, but is of a nature which cannot be reasonably cured within the prescribed cure period and Franchisee has commenced and is continuing to make good faith efforts to cure the default during such prescribed cure period, Franchisee shall be given an additional reasonable period of time to cure the default, but in no event longer than thirty (30) additional days.

f. *Franchisor's Right to Assume Management.* Franchisor, or a third party designated by Franchisor, has the right, but not the obligation to, assume the management of the Franchised Business for up to one-hundred and twenty (120) days at a time under the following circumstances: (1) Franchisee abandons, threatens to abandon, or fails to actively operate the Franchised Business, including, but not limited to, achieving certain customer service review or quality assurance scores as set forth in the Brand Standards Manual, (2) Franchisee fails to comply with any provision of this Agreement and does not cure the failure within the time period specified by this Agreement and Franchisor elects not to terminate this Agreement, (3) upon the death or incapacitation of the Franchisee or the Operating Owner, or (4) Franchisor terminates this Agreement and is within its purchase option period. If Franchisor, or a third party designated by Franchisor, assumes the management of the Franchised Business, Franchisee acknowledges and agrees:

i. Franchisee shall pay Franchisor an amount equal to \$500 per day and all direct out-of-pocket costs, including, but not limited to, travel, lodging, meals, and professional fees incurred by Franchisor as a result of its exercise of its rights under this Section ("Management Fees"). Such Management Fees shall be paid in addition to Royalty Fees, Brand Fund Contributions, and all Franchisee's other fees and obligations required under this Agreement.

ii. Franchisor, or a third party designated by Franchisor will have a duty to utilize only reasonable efforts to manage the Franchised Business.

iii. Franchisor, and the third party designated by Franchisor, will not be liable to Franchisee or Franchisee's owners for any debts, losses, or obligations the Franchised Business incurs or to any of Franchisee's creditors, suppliers, or vendors for any supplies, products, or other assets or services the Franchised Business purchases while Franchisor (or the designated third party) manages the Franchised Business.

iv. Franchisor's exercise of its rights under this Section will not affect any other right or remedy Franchisor may have under this Agreement, including, but not limited to, termination.

g. *Liquidated Damages.* Upon Franchisor's termination of this Agreement due to Franchisee's default or Franchisee's purported termination of this Agreement without cause, Franchisee shall pay to Franchisor within thirty (30) days of the date of termination, in addition to the amounts hereunder, liquidated damages in an amount equal to the average monthly Royalties and Brand Fund Contribution due and owing to Franchisor for the period preceding the effective date of termination multiplied by (a) 36, or (b) the number of months remaining in this Franchise Agreement had it not been terminated, whichever is less, but in no case will such damages be less than \$30,000. Franchisee acknowledges and agrees that such liquidated damages are a reasonable approximation of the damages Franchisor will incur resulting from the premature termination of the Franchise Agreement as a result of breach by Franchisee, are appropriate because actual damages incurred by Franchisor will be difficult or impossible to ascertain, are not a penalty, and shall not affect Franchisor's right to, and are not in lieu of, any other payment or remedy, damages or relief to Franchisor.

15.3 Franchisee Obligations on Termination. Upon the expiration or termination of this Agreement for any reason whatsoever, all of the following shall apply:

a. *Pay All Amounts Due.* Franchisee shall pay to Franchisor, within five (5) days after the effective date of termination or expiration of this Agreement, all fees and other amounts then due and unpaid by Franchisee including, but not limited to, Royalties, Brand Fund Contributions, attorney fees, accounting fees, professional fees and Franchisor's costs and expenses in re-entering the Approved Site and in completing the acts specified in this Agreement.

b. *Satisfy All Debts and Liabilities.* Franchisee is required to satisfy all of its debts and liabilities associated with the Franchised Business, including, but not limited to, refunding amounts owed to customers such as gift card and prepaid membership reimbursements and amounts owed to third parties such as Franchisee's landlord and vendors. Franchisee must provide Franchisor with access to debit Franchisee's Bank Accounts until such debts and liabilities have been fully satisfied.

c. *Discontinue Operations.* Franchisee shall immediately discontinue the operation of the Franchised Business, use of the System, the Brand Standards Manual, and the use of the Proprietary Marks, Copyrighted Materials, and other proprietary rights licensed under this Agreement, and similar names and marks, or any other designations or marks associating Franchisee with Franchisor or the System.

d. *Discontinue Use of Proprietary Marks.* Franchisee shall cease displaying and using all signs, stationery, letterhead, packaging, forms, containers, bulletins, instruction sheets, printed matter, advertising, telephone listings, websites, facsimile numbers, email addresses, Products, and Services, and other physical objects used from time to time in connection with the System or containing or bearing any of the Proprietary Marks or other names, marks or designations.

Franchisee shall not thereafter operate or do business under any name or in any manner or that might tend to give the general public the impression that it is associated with Franchisor or the System or that it is operating a business similar to a head spa or dry bar business.

e. *Return, Delete, or Destroy Confidential Information.* Franchisee shall immediately return to Franchisor, delete, or destroy, at Franchisor's discretion, all materials, including Confidential Information, Copyrighted Materials, customer lists, records, files, instructions, brochures, advertising materials, and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property). Under no circumstances shall Franchisee retain any printed or electronic copies of the Brand Standards Manual, customer lists, Confidential Information, or portions thereof.

f. *De-Identify the Franchised Business.* Franchisee shall promptly execute such documents or take such actions as may be necessary to: (i) abandon Franchisee's use of any assumed name or all other equivalent registrations containing any of the Proprietary Marks adopted by Franchisee; and (ii) cancel or assign to Franchisor or any other party designated by Franchisor, at Franchisor's request, Franchisee's listing as The Modern Halo™ business from the yellow pages, other telephone directories, trade and business directories, Web Directories, Franchisee's postal address, telephone numbers, Local Page, Local Email, Social Media, Digital Media, and all other listings or identifiers in connection with the Franchised Business (collectively, "Identifiers"). Franchisee acknowledges that Franchisor has the sole rights to, and interest in, all Identifiers used by Franchisee to promote the Franchised Business and/or associated with the Proprietary Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Franchisee further appoints Franchisor to direct all third parties to transfer such Identifiers to Franchisor or Franchisor's designee, and such third parties may accept such direction by Franchisor pursuant to this Agreement as conclusive evidence of Franchisor's rights, title, and interest to the Identifiers and Franchisor's authority to direct their transfer.

g. *Assign the Lease or De-Identify the Approved Site.* Franchisee shall, at Franchisor's option, immediately assign to Franchisor any interest that Franchisee has in any lease for the Franchised Business. In the event that Franchisor does not elect to exercise its option to acquire the lease for the Franchised Business, then to the extent, if any, Franchisee is permitted to conduct any business at the leased Approved Site pursuant to this Agreement or a separate written agreement with Franchisor, Franchisee, at its expense, shall make such modifications and alterations to the interior and exterior décor of the Approved Site as may be necessary to remove all displays of the Marks and distinguish the appearance of such Approved Site from the standards and specifications of the System and the Brand Standards. In the event Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right, but not the obligation to, enter the Approved Site without being guilty of trespass or other tort for the purpose of making or causing to be made such changes as may be required, at Franchisee's expense, which Franchisee shall pay to Franchisor upon demand.

h. *Prohibited Representations.* Franchisee shall not make any representation nor state that Franchisee is in any way approved, endorsed, or licensed by Franchisor or associated or identified with Franchisor or the System in any manner.

i. *Franchisor's Option to Purchase.* Franchisee shall provide Franchisor with the option to purchase the Franchised Business for the same price, payment terms, and determination of asset value as set forth in Section 15.1(f)(ii) and (iii);

j. *Tail Insurance.* Franchisee shall obtain the appropriate tail insurance as set forth in Section 13.4;

k. *Surviving Obligations.* Franchisee shall comply with all other provisions of this Agreement which survive termination or expiration of this Agreement, including, but not limited to, confidentiality and non-competition; and

l. *Termination Procedures.* Franchisee shall follow any other procedures established by Franchisor to ensure the termination, expiration, or renewal of this Agreement creates the least disruption possible to Franchisor, Franchisor's other franchisees, the System, and the brand, including those procedures set forth in the Brand Standards Manual.

15.4 Franchisee's Collateral. To secure Franchisee and Guarantor's performance under this Agreement and indebtedness for all obligations owed and sums due to Franchisor or its Affiliates, Franchisor shall have a lien upon, and Franchisee hereby grants to Franchisor a security interest in, the following collateral and any and all attachments, accessories, additions, accessions, and substitutions to or for it and the cash and non-cash proceeds derived from insurance or the disposition of such collateral: (a) all inventory, equipment, furniture, furnishings, fixtures, and supplies now leased, owned or after acquired by Franchisee and the Franchised Business, including, but not limited to, all inventory, all inventory, equipment, furniture, furnishings, fixtures, and supplies transferred to or acquired by Franchisee in connection with this Agreement; (b) all accounts of Franchisee and/or the Franchised Business now existing or subsequently arising, together with all chattel paper, documents, and instruments related to such accounts; (c) all contract rights of Franchisee and/or the Franchised Business, now existing or subsequently arising; (d) all general intangibles of Franchisee and/or the Franchised Business now owned or existing, or after-acquired, or subsequently arising; (e) all of Franchisee's and/or the Franchised Business interests in the real estate where the Franchised Business is located; and (f) all improvements to any real estate associated with the Franchised Business. Franchisee hereby authorizes Franchisor to file and record financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents that Franchisor deems necessary to evidence, perfect, and continue the priority of security interests in and to these assets. Franchisee also agrees to execute and deliver any such documents to Franchisor at its request.

15.5 Miscellaneous Termination Provisions.

a. *Nonwaiver of Rights by Franchisor.* No waiver by Franchisor of any breach by Franchisee, nor any delay or failure by Franchisor to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce Franchisor's rights with respect to that or any other or subsequent breach. Franchisor will not waive or impair any right, power, or option this Agreement reserves (including Franchisor's right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of: (i) any custom or practice at variance with this Agreement's terms; (ii) Franchisor's alleged failure, refusal, or neglect to exercise any right under this Agreement or to insist on the other's compliance with this Agreement, including any Brand Standard; (iii) Franchisor's waiver of or failure to exercise any

right, power, or option, whether of the same, similar, or different nature, with other franchisees or Franchised Businesses, including those of Franchisee; (iv) the existence of franchise agreements for other Franchised Businesses which contain provisions different from those contained in this Agreement; or (v) Franchisor's acceptance of any payments due from Franchisee after any breach of this Agreement.

b. *Cross-Default.* Should Franchisee, any Affiliate or successor of Franchisee, any direct or beneficial owner of Franchisee or its affiliates, or any business or entity that has in common with Franchisee one or more partners, members, shareholders, officers, directors, or other persons occupying a similar status or performing similar functions ("Franchisee Parties") directly or indirectly acquire the right and franchise to operate another or other franchised businesses, any default by a Franchisee Party in the performance or observance of any of the terms and conditions under any one agreement governing the aforesaid right and franchise, including but not limited to, any other franchise agreement, lease or sublease, asset purchase agreement, promissory note, or any other agreement, shall be deemed to be an event of default under all other agreements pursuant to which the Franchisee Parties directly or indirectly owns or operates such a franchised business or businesses.

c. *Purchase of Inventory.* Upon the expiration or termination of this Agreement for any reason whatsoever, save and except in the event of an approved Transfer to a third party as set forth in Section 15, Franchisor shall have the right, but not the obligation, such right to be exercised by notice in writing delivered to Franchisee within thirty (30) days of the date of expiration or termination of this Agreement for any reason whatsoever, to purchase from Franchisee all or any portion of the inventory located on the Approved Site or otherwise held by Franchisee for the purposes of sale or distribution at the Approved Site, and/or all or any part of the fixtures, equipment, furniture or other assets located on, in or at the Approved Site or otherwise used in connection with the Franchised Business.

d. *Survival.* Termination or expiration of this Agreement shall not affect, modify, or discharge any claims, rights, causes of action, or remedies which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination of this Agreement. Notwithstanding the expiration or termination of this Agreement for any reason whatsoever, all covenants and agreements to be performed and/or observed by Franchisee and/or Guarantor(s) under this Agreement or which by their nature survive the expiration or termination of this Agreement hereof shall survive any such expiration or termination.

e. *Notice Provision Modifications.* If any applicable and binding law or rule of any jurisdiction requires greater notice prior to termination of this Agreement, the prior notice or other action required by such law or rule shall be substituted for the notice requirements in this Agreement. Such modifications shall be effective only in such jurisdictions and enforced as originally made and entered into in all jurisdictions.

f. *Acceleration of Loan, Note, and Security Interest.* If this Agreement expires or is terminated for any reason whatsoever and Franchisor is the lender under any loan agreement ("Loan"), the holder of any promissory note ("Note"), or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("Security Interest") from Franchisee concerning assets used at any time by Franchisee in the Franchised Business or which are situated on the Franchised Business Approved Site, such Loan, Note, or

Security Interest shall, upon the effective date of termination or expiration, immediately become entirely due and payable as to all principal and interest so loaned and secured.

g. *Waiver of Punitive and Exemplary Damages.* In the event of termination of this Agreement for any reason whatsoever, the parties shall accept the default remedies contained herein as full and final satisfaction of all claims. The parties waive, to the extent permitted by law, any claim against the other for punitive or exemplary damages, except for such punitive or exemplary damages in violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of Confidential Information, or arising under the Indemnification provisions outlined in Section 13.

h. *Cumulative Rights and Remedies.* The rights of the parties are cumulative, and no exercise or enforcement by a party of any right or remedy shall preclude the exercise or enforcement by that party of any other right or remedy outlined in this Agreement or to which it is entitled by law.

i. *Injunctive Relief.* In addition to any other remedies Franchisor may have, at law or under this Agreement, nothing in this Agreement shall prevent Franchisor or Franchisee from seeking injunctive relief against threatened conduct that will cause loss or harm, under the usual equity rules, including applicable rules for obtaining restraining orders or preliminary injunctions. If Franchisor must seek a restraining order or preliminary or injunctive relief, Franchisor may do so without a bond.

j. *CONFLICT BETWEEN LAWS AND AGREEMENT.* THE PARTIES ACKNOWLEDGE AND AGREE THAT IN THE EVENT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH STATE OR FEDERAL LAW SHALL GOVERN FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

16. CONDEMNATION AND CASUALTY

16.1 Notice to Franchisor. Franchisee shall promptly advise Franchisor of the following events and promptly provide Franchisor with a copy of such notice, if applicable: (a) default or termination under Franchisee's lease or mortgage for the Franchised Business Approved Site; (b) any proposed taking of the Franchised Business Approved Site, or any portion thereof, through the exercise of the power of eminent domain; and (c) substantial damage or destruction of the Franchised Business requiring temporary or permanent closure.

16.2 Relocation Upon the Exercise of Eminent Domain. If the Approved Site, or a substantial portion thereof, is taken through eminent domain, the Franchised Business may be relocated within the Territory or elsewhere with Franchisor's written approval in accordance with Franchisor's relocation procedures as set forth in the Brand Standards Manual. If Franchisee opens the Franchised Business at another location in accordance with Franchisor's Brand Standards within one (1) year of closing the Franchised Business at the initial Approved Site ("Reopening Period"), the new Approved Site shall be considered the Franchised Business licensed under this Agreement. If a condemnation takes place and Franchisee does not relocate the Franchised Business to a new location within the Reopening Period, this Agreement shall be automatically terminated.

16.3 Approved Site Destroyed or Damaged. If the Franchised Business's Approved Site is damaged for any reason, Franchisee shall promptly repair the damage. If the damage requires Franchisee to temporarily or permanently close the Franchised Business, Franchisee shall: (a) repair or rebuild the

Franchised Business's Approved Site in accordance with Franchisor's then-existing standards and specifications as set forth in the Brand Standards Manual and reopen the Franchised Business as soon as practicable, and in any event within the Reopening Period, giving Franchisor at least thirty (30) days advance notice of the date of reopening; or (b) relocate the Franchised Business within the Reopening Period, and the new Approved Site shall be considered the Franchised Business licensed under this Agreement. If Franchisee does not reopen the Franchised Business at the initial Approved Site or the newly relocated Approved Site within the Reopening Period, this Agreement shall be automatically terminated.

16.4 Force Majeure Event.

a. *Impact and Notice of a Force Majeure Event.* Neither Party hereto shall be liable for any loss or damage, or failure or delay in performing any obligation, in whole or in part, under this Agreement if such failure or delay results directly or indirectly from wars (declared or not), insurrections, riots, fires, floods, explosions, earthquakes, accidents, epidemic or quarantine restrictions, acts of God, any act of government or governmental priorities, transportation failures or delays, embargoes, material or parts shortages, strikes, labor trouble causing a cessation or slow down or interruption of work (including labor troubles or other delays at a supplier's facility), events where an export license is refused or withdrawn, or any other cause beyond the Party's reasonable control ("Force Majeure Event"). Any such failure or delay in performing any obligation shall extend performance only so long as such event is in progress. The Party whose performance is affected by a Force Majeure Event shall give prompt notice of such Force Majeure Event to the other party, which in no case shall be more than forty-eight (48) hours after the event, setting forth the nature of the Force Majeure Event and an estimate of its duration. The affected Party shall furnish the other party with periodic reports regarding the progress of the Force Majeure Event and use its best efforts to mitigate the effect of the Force Majeure Event upon its performance of the Agreement and to fulfill its obligations under the Agreement. Upon completion of the Force Majeure Event, the party affected must, as soon as reasonably possible, recommence the performance of obligations under this Agreement.

b. *Continued Obligations.* Notwithstanding the foregoing, such Force Majeure Event: (i) shall not relieve a Party from an obligation which arose before the occurrence of the Force Majeure Event; (ii) shall not affect or change Franchisee's obligation to pay the Royalty Fee, Brand Fund Contribution, and other payments to Franchisor when due; (iii) shall not affect the Parties indemnification obligations to the other Party; and (iv) shall not affect Franchisee's obligations to comply with any restrictive covenants in this Agreement during or after the Force Majeure Event. However, Franchisor may, in its sole discretion, elect to waive one or more Royalty Fees, Brand Fund Contributions, or other payments due to Franchisor during the period of failure or delay in obligations due to a Force Majeure Event.

c. *Extended Term Option.* Franchisor will agree to extend the Term of this Agreement if: (a) the Franchised Business's Approved Site is relocated or rebuilt in accordance with Section 17.3 as a result of a Force Majeure Event that results in the business being closed for up to one hundred eighty (180) days; and (b) Franchisee requests for an extension of the Term of this Agreement within thirty (30) days following the reopening of the Franchised Business.

16.5 Continuing Obligations. No event during the Term will excuse Franchisee from paying Royalty Fees or Brand Fund Contributions as required by this Agreement.

17. DISPUTE RESOLUTION

17.1 Internal Dispute Resolution. For any claim or dispute arising out of or in any way relating to this Agreement, Franchisee must: (a) first provide notice to Franchisor (and any of its Affiliates, if applicable) of such claim or dispute, utilizing the notice provisions outlined in Section 20.10; and (b) make every effort to resolve the dispute internally in good faith. Franchisor will have a period of thirty (30) calendar days to try to resolve such matter. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute to mediation or before a third party.

17.2 Mediation.

a. *Agreement to Mediate.* In the event that a claim or dispute is not otherwise resolved in accordance with Section 18.1, then the Parties must meet to mediate the dispute before any party may bring an action in court or against the other or commence an arbitration proceeding (except as noted below). A complaining party must submit all claims to mediation within sixty (60) days after providing notice of the claim to the other party. The mediation shall take place in the city where Franchisor's headquarters are located at the time of the commencement of the mediation. Each party shall identify an officer with decision-making authority who shall attend the mediation. Any such mediation will be non-binding and conducted by the American Arbitration Association ("AAA") in accordance with its then-current rules for mediation of commercial disputes. Each party will bear its own cost of mediation, and the Parties will share the costs of the mediator fee equally.

b. *Exclusions.* Notwithstanding the foregoing, the Parties agree that the following claims will not be subject to mediation: (i) any action for declaratory or equitable relief, including, without limitation, actions seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, prior to or during the pendency of any mediation or arbitration proceedings initiated under this Agreement, (ii) any action in ejectment or for possession of any interest in real or personal property; (iii) any action related to any federally protected intellectual property rights in the Proprietary Marks, Copyrighted Materials, the System, or Confidential Information; (iv) any restrictive covenants contained in this Agreement; or (v) any of the Franchisee's payment obligations under this Agreement. Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement. 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 injunctions to enforce this Agreement.

c. *AAA Substitute.* Franchisee acknowledges and agrees that Franchisor may, through the Brand Standard Manual, or otherwise in writing, designate (1) another administrative entity, in lieu of the American Arbitration Association, to administer any mediation required to be brought under this Section 18.2, and (2) different procedures or rules for any such mediation.

17.3 Arbitration.

a. *Agreement to Arbitrate.* Except as qualified below, any dispute between Franchisee and Franchisor or any of their respective Affiliates, officers, directors, employees, agents, or owners arising under, out of, in connection with, or in relation to this Agreement, the Parties' relationship, or Franchisee's Franchised Business must be submitted to binding arbitration under the authority

of the Federal Arbitration Act without reference to any state arbitration statutes and must be determined by arbitration administered by the AAA pursuant to its then-current commercial arbitration rules and procedures. The arbitration shall take place in the city where Franchisor's headquarters are located at the time of the commencement of the arbitration action. The arbitration shall be heard by one (1) arbitrator who has at least five (5) years of experience in franchise law. The arbitrator must follow the law and not disregard the terms of this Agreement.

b. *Class Action Waiver.* Any arbitration must be on an individual basis and the Parties, and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void, and the Parties must submit all claims to the jurisdiction of the courts.

c. *Final and Binding.* A judgment may be entered upon the arbitration award by any state or federal court in the state where Franchisor maintains its headquarters or the state where Franchisee's Franchised Business is located. The decision of the arbitrator will be final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any award pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Franchisor.

d. *Exclusions.* Notwithstanding the foregoing, the Parties agree that the following claims will not be subject to arbitration: (1) any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder, and (2) any action in ejectment or for possession of any interest in real or personal property.

17.4 WAIVER OF JURY TRIAL AND LIMITATIONS OF ACTIONS, DAMAGES, AND SETOFFS.

a. *No Withholding of Payments.* Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

_____(FRANCHISEE'S INITIALS).

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

regulations or rules promulgated thereunder.

_____(FRANCHISEE'S INITIALS).

c. *Damages Waiver.* Franchisee hereby waives, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, and consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligent, strict liability, tort, or otherwise) and agrees that in the event of such dispute, the Franchisee's recover is limited to actual damages. If any other term of this Agreement is found to be unconscionable or unenforceable for any reason, the foregoing provisions shall be in full force and effect, including, without limitation, the waiver of any right to claim consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming an obtaining expectation or consequential damages, including future lost royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

_____(FRANCHISEE'S INITIALS).

d. *WAIVER OF JURY TRIAL.* THE PARTIES HEREBY AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO THAT ARISES OUT OF OR IS IN ANY WAY RELATED TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

_____(FRANCHISEE'S INITIALS).

e. *WAIVER OF CLASS ACTIONS.* THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOOD OR SERVICES, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE OR REPRESENTATIVE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS, AND FRANCHISOR OR ITS AFFILIATES, OFFICERS, DIRECTORS, OWNERS, MEMBERS, EMPLOYEES AND/OR AGENTS MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

_____(FRANCHISEE'S INITIALS).

17.5 Governing Law, Venue and Jurisdiction.

a. *Governing Law.* Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq) or other applicable federal law, this Agreement, the Franchise, all rights and duties of the Parties arising from or relating to this Agreement and all claims arising from the relationship between the Parties (and any dispute between the parties) will be governed by the laws of the State of Texas, without reference to this state's conflict of laws principles. Notwithstanding the foregoing, the parties expressly agree that this Agreement is not intended to confer on any Franchisee who is not a resident of the State of Texas the benefit of any Texas law providing specific protection to franchisees residing or operating in the State of Texas.

b. *Venue and Jurisdiction.* Any cause of action, claim, suit, or demand allegedly arising from or related to the terms of this Agreement or the relationship of the Parties must be brought only in the U.S. federal district court with jurisdiction located in the county or district encompassing Franchisor's headquarters. If that court lacks jurisdiction, the claim must be brought only in the state court with jurisdiction in the county or district encompassing Franchisor's headquarters. Both Parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this subparagraph shall survive the expiration or termination of this Agreement. Franchisee is aware of the business purposes and needs underlying the language of this subparagraph and, with a complete understanding thereof, agrees to be bound in the manner set forth above.

17.6 Miscellaneous Dispute Resolution Provisions.

a. *Third-Party Beneficiaries.* Franchisor's Affiliates, officers, directors, owners, members, agents, and/or employees are express third-party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions outlined in this Section 18, each having authority to specifically enforce the right to mediate, arbitrate, and otherwise invoke the provisions of this Section 18.

b. *Notice.* As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor and provide Franchisor with an opportunity to cure as set forth in Section 17.1.

c. *Acknowledgement.* The Parties acknowledge that nothing herein shall delay or otherwise limit Franchisor's rights and remedies under Section 18.1 - 18.3 of this Agreement. A notice or request for internal dispute resolution, mediation, arbitration, or the initiation of a legal proceeding in state or federal court will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Agreement.

d. *Survival.* The Parties agree that the provisions of this Section 18 shall apply during the term of this Agreement and following its termination, expiration, or non-renewal. The parties agree to fully perform all obligations under this Agreement during the entire dispute resolution process, including, but not limited to, internal dispute resolution, mediation, arbitration, and any other adjudicatory proceeding.

18. ACKNOWLEDGEMENT.

18.1 BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL.

18.2 FRANCHISEE ACKNOWLEDGES AND AGREES THAT:

a. NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS AGREEMENT OR ADDENDA, IF APPLICABLE, IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.
_____(FRANCHISEE'S INITIALS).

b. FRANCHISEE HAD A COMPLETE COPY OF THIS AGREEMENT, WITH ALL BLANKS FILLED IN, IN ITS POSSESSION FOR A PERIOD OF TIME NOT LESS THAN FIVE (5) BUSINESS DAYS, DURING WHICH TIME FRANCHISEE HAD THE OPPORTUNITY TO SUBMIT THE SAME FOR PROFESSIONAL REVIEW AND ADVICE OF FRANCHISEE'S CHOOSING PRIOR TO FREELY EXECUTING THIS

AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE TIME AND OPPORTUNITY TO INVESTIGATE FRANCHISOR'S SYSTEM AND TO CONSULT WITH LEGAL AND FINANCIAL ADVISORS OF ITS CHOICE.

_____(FRANCHISEE'S INITIALS).

c. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE SYSTEM AND RECOGNIZES THAT THE FRANCHISED BUSINESS CONTEMPLATED BY THIS AGREEMENT AND ITS SUCCESS INVOLVES SUBSTANTIAL BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE FRANCHISED BUSINESS. FRANCHISEE ASSUMES THE RESPONSIBILITY FOR ITS SUCCESS OR FAILURE OF THE FRANCHISED BUSINESS.

_____(FRANCHISEE'S INITIALS).

d. FRANCHISOR HAS NOT PROVIDED ANY STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION OF ACTUAL, AVERAGE, PROJECTED, FORECASTED, OR POTENTIAL PURCHASES, SALE, COST EARNINGS, INCOME, OR PROFITS TO FRANCHISEE.

_____(FRANCHISEE'S INITIALS).

e. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED ANY ASSURANCE, WARRANTY, OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, EARNINGS, OR SUCCESS OF THE FRANCHISED BUSINESS CONTEMPLATED BY THIS AGREEMENT.

_____(FRANCHISEE'S INITIALS).

19. OTHER PROVISIONS

19.1 Joint and Several. If two or more individuals, limited liability companies, corporations, partnerships, or other entities (or any combination of two or more thereof) shall sign or be subject to the terms and conditions of this Agreement as Franchisee or as a Guarantor, the liability of each of them under this Agreement shall be deemed to be joint and several.

19.2 Waiver of Obligations. Franchisor and Franchisee may by written instrument unilaterally waive any obligation of or restriction upon the other under this Agreement, such waiver being effective on delivery of written notice to the other or another effective date stated in the notice of waiver. No special or restrictive legend or endorsement on any check or similar item given to Franchisor will be a waiver, compromise, settlement, or accord and satisfaction. Franchisor is authorized to remove any legend or endorsement, which will have no effect. Any waiver granted will be without prejudice to any other rights Franchisor or Franchisee has, will be subject to continuing review, and may be revoked at any time and for any reason effective on delivery of ten (10) days prior written notice.

19.3 Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment in making a decision or exercising a right. Franchisor's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available if Franchisor's decisions or actions are intended, in whole or significant part, to promote or benefit the

System generally even if the decision or action also promotes Franchisor's financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System.

19.4 Further Assurances. Each of the Parties hereto hereby covenants and agrees to execute and deliver such further and other agreements, assurances, undertakings, acknowledgments, or documents, cause such meetings to be held, resolutions passed, and by-laws enacted, exercise their vote and influence, and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable to give full effect to this Agreement and every part hereof.

19.5 Successors and Assigns. Subject to the restrictions on assignment herein contained, this Agreement shall be to the benefit of and be binding upon the Parties hereto and their respective heirs, executors, administrators, successors, and assigns.

19.6 Time of Binding on Franchisor. This Agreement is not effective until signed by a corporate officer of Franchisor. No field representative or salesman is authorized to execute this Agreement on behalf of Franchisor. Franchisee is advised not to incur any expense or obligation with respect to the proposed Franchised Business until Franchisee has received a fully executed copy of this Agreement from Franchisor.

19.7 Right to Delegate. Franchisee agrees that Franchisor shall have the right to delegate to third-party designees, whether these designees are the Franchisor's agents or independent contractors with whom Franchisor has already contracted (1) the performance of any portion or all of Franchisor's obligations under this Agreement; and (2) any right that Franchisor has under this Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisee in compliance with this Agreement.

19.8 Severability. Except as otherwise provided in this Agreement, if for any reason whatsoever, any term or condition of this Agreement or the application thereof to any party or circumstance shall, to any extent, be invalid, unenforceable, contrary to, or in conflict with any applicable present or future law or regulation, all other terms and conditions of this Agreement and/or the application of such terms and conditions to the Parties or circumstance shall not be affected thereby. Each term and condition of this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

19.9 Construction. The headings, article numbers, and table of contents in this Agreement are for convenience only and shall not affect its interpretation. Any reference to a statute or statutory provision includes a reference to that statute or statutory provision as amended, extended, or re-enacted from time to time. Unless the context otherwise requires, words in the singular shall include the plural, and in the plural, shall include the singular. References to one gender include references to the other gender. Any phrase introduced by the terms "including," "include," "in particular," or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

19.10 Notices.

- a. All written notices, consents, approvals, authorizations, and reports permitted or

required to be delivered by this Agreement or the Brand Standards Manual will be deemed to be delivered: (a) at the time delivered by hand; (b) at the time delivered electronically; (c) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (d) three (3) business days after placement in the U.S. Mail.

b. Franchisor must provide any notice to Franchisee at the address and/or Local Email of the Franchised Business and/or the Franchisee's or Operating Owner's address and email as identified on Schedule 1 of this Agreement.

c. Franchisor must provide any notice to Guarantor(s) at the address and email identified in Schedule 3 of this Agreement.

d. Franchisee must provide notice to Franchisor's principal business address and/or by email to Franchisor's Chief Executive Officer and Chief Operating Officer or other designated principal identified in the Brand Standards Manual.

19.11 Entire Agreement and No Reliance. This Agreement contains the entire agreement between the Parties as it relates to the franchising of the Franchised Business at the Approved Site. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the Parties relating to the franchising of the Franchised Business at the Approved Site other than those set forth herein. No party has relied on any representation, inducement, promise, agreement, arrangement, or undertaking of any type or form that is not set forth in this Agreement. No agreement of any kind relating to the matters covered by this Agreement shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties. This provision is not intended to disclaim the representations Franchisor made solely in the franchise disclosure document that Franchisor furnished to Franchisee.

19.12 Modifications. This Agreement may not be amended, modified, or rescinded, or any performance requirement waived, except by a written document signed by Franchisee and an authorized representative of Franchisor. This provision does not apply to changes in the Brand Standards Manual, which Franchisor may modify unilaterally. The Parties expressly agree that this Agreement may not be amended or modified, or any performance standard changed, by course of dealing, special indulgences or benefits Franchisor bestows on Franchisee, or by inference from a party's conduct.

[Remainder of Page Intentionally Left Blank. Signature Page on Following Page.]

IN WITNESS HEREOF, the Parties hereby execute this Agreement effective as of the Effective Date.

AGREED by:

FRANCHISOR:

By: _____ Date: _____
Christina Batson
Chief Executive Officer
Modern Halo Franchising, LLC

FRANCHISEE:

By: _____ Date: _____
[NAME]
[Title]
[Entity Name]

SCHEDULE 1 - FRANCHISEE SPECIFIC TERMS

Effective Date: [Effective Date]

Franchisee Name: [Name of Individuals or Entity]

Franchisee Address, Phone, and Email: [Address, Phone, Email]

Franchisee Operating Owner: [Name, Address, Phone, and Email]

Franchisees Approved Site Address: [Approved Site Address]

Franchisee's Territory: Franchisee's Territory, as set forth in Section 4 of the Franchise Agreement, shall be a three (3) mile radius around Franchisee's Approved Site Address.

Initial Franchise Fee: [\$_____]

AGREED by:

FRANCHISOR:

By: _____ Date: _____
Christina Batson
Chief Executive Officer
Modern Halo Franchising, LLC

FRANCHISEE:

By: _____ Date: _____
[NAME]
[Title]
[Entity Name]

SCHEDULE 2 - STATEMENT OF FRANCHISEE OWNERSHIP

This Schedule 2 is attached to and forms an integral part of the Franchise Agreement (“Agreement”) between Franchisor and Franchisee, entered into on the Effective Date identified on Schedule 1, which is incorporated herein. The purpose of this Schedule is to provide a detailed statement of the Franchisee's ownership structure. The information provided herein is essential for the administration and enforcement of the Agreement. In the event of any conflict between the terms of this Schedule and the Agreement, the terms of the Agreement shall prevail.

1. Franchisee Name and Type of Ownership

Franchisee Name: [Name of Individuals or Entity]

Franchisee Trade Name: [Assumed Name or Doing Business As Name]

Type of Ownership: *[check one]*

Individual Ownership

Entity Ownership (Partnership, Limited Liability Company (LLC), Corporation)

2. Entity Ownership, if Applicable

Complete the following only if Franchisee is an entity (partnership, LLC, or corporation). If the Franchisee is an individual, check the following box to deem this section inapplicable:

1. Not applicable.

State of Formation: [State where entity was formed]

Date of Formation: [date entity was formed]

Type of Entity:

2. Partnership

3. Limited Liability Company

4. Corporation

Franchisee Entity Ownership (i.e., Partners, Members, and Stockholders):

Identify each owner, address, and percentage of ownership interest in the Franchisee Entity.

Owner Name	Address	Percentage Interest

Franchisee Entity Management

Identify the managers, officers, and directors or managing members of the Franchisee Entity.

Name	Address	Title(s)

3. Franchisee Entity Owned by One or More Entities, if Applicable

If any Franchisee Entity Owner is an entity (partnership, LLC, or corporation), identify the owners of such entities until all individual beneficial owners are identified and include the address and percentage ownership interest in such entity.

Entity 1: [Name]

Owner Name	Address	Ownership Interest

4. Covenants, Representations, and Warranties of the Franchisee

Franchisee covenants, represents, and warrants as follows and acknowledges that Franchisor is relying upon such covenants, representations, and warranties in making its decision to enter into the Franchise Agreement:

a. Franchisee covenants, represents, and warrants that all information contained in this Schedule 2 is true and correct as of the Effective Date identified on Schedule 1.

b. Franchisee’s Operating Owner, identified in this Schedule 2, has the authority to take legally binding actions on Franchisee’s behalf.

c. Franchisee’s Operating Owner is authorized to deal with Franchisor on Franchisee’s behalf for all matters that may arise with respect to the Agreement. Any decision made by the Operating Owner will be final and binding on Franchisee, and Franchisor will be entitled to rely solely on the decision of the Operating Owner without discussing the matter with any other party. Franchisor will not be held liable for any actions based on any decision or actions of the Operating Owner.

d. If Franchisee is an Entity, Franchisee covenants, represents, and warrants that: (i) Franchisee is validly existing and in good standing under the laws of the state in which it was formed; (ii) Franchisee and Franchisee’s Operating Owner has the authority to execute, deliver, and perform Franchisee’s obligations under the Agreement and all related agreements; (iii) Franchisee’s organizational documents state that the Agreement restricts the issuance and transfer of any of Franchisee’s ownership interests, and all certificates and other documents representing Franchisee’s ownership interests will bear a legend referring to the Agreement’s restrictions; and (iv) the Franchised Business will be the only business that the Franchisee Entity operates unless Franchisor approves Franchisee to acquire and operate additional Franchised Businesses pursuant to additional franchise agreements between Franchisor and Franchisee.

e. To the best of its knowledge, all statements made by Franchisee in writing in connection with its application for this Franchised Business are true and correct as of the Effective Date of the Agreement.

f. Subject to Franchisor’s rights and Franchisee’s obligations under Section 15 of the

Franchise Agreement, Franchisee and Franchisee’s Owners agree to sign and deliver to Franchisor a revised Schedule 2 to reflect any changes in Franchisor’s ownership information.

g. Franchisee is not a party to or subject to any litigation, legal proceedings, or any court or administrative order or action of any governmental authority which would limit or interfere in any way with the performance by Franchisee of its obligations hereunder other than those which have been disclosed to Franchisor by Franchisee in writing.

h. Franchisee is not a party to or subject to any agreement that might conflict with the terms of this Agreement and agrees not to enter into any conflicting agreements during the Term or Renewal Terms.

i. There are no material financial obligations of Franchisee, whether actual or contingent, that are outstanding as of the date of this Agreement other than disclosed to Franchisor by Franchisee in writing.

j. Franchisee has or will make firm arrangements to acquire funds to commence, open, and operate the Franchised Business. Franchisee is financially and otherwise able to accept the risk attendant upon entering into this Agreement.

k. 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 (defined below). In connection with that compliance, the Franchisee and its Owners certify, represent, and warrant that none of its property or interests is subject to being blocked and that the Franchisee is not 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 or its Owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

AGREED by:

FRANCHISEE:

By: _____ Date: _____
[NAME]
[Title]
[Entity Name]

SCHEDULE 3 - GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGEMENT

As an inducement to Modern Halo Franchising, LLC ("Franchisor") to execute the Franchise Agreement between Franchisor and [Franchisee name] ("Franchisee") (the "Franchise Agreement") executed on or about the same date as this Guarantee, Indemnification, and Acknowledgement Agreement ("Personal Guarantee Agreement"), each of the undersigned individuals ("Owners"), who constitute all of the owners of beneficial interest, direct or indirect, in Franchisee, as well as their respective spouses ("Spouses") (Owners and Spouses, collectively referred to as the "Guarantors"), covenant and agree to be bound by this Personal Guarantee Agreement.

- 1. Role of the Guarantors.** The Guarantors are the beneficial owners of all the direct or indirect ownership equity interests, partnership interests, membership interests, or other controlling interests in Franchisee and their respective spouses. The Guarantors acknowledge there are benefits received and to be received by each of the Guarantors, jointly and severally, for themselves, their heirs, legal representatives, and assigns. Franchisee's obligations under the Franchise Agreement, including the financial, confidentiality, and non-compete obligations, would be of little value to Franchisor if the same requirements did not bind the Guarantors. Under the provisions of the Franchise Agreement, the Guarantors are required to enter into this Personal Guarantee Agreement as a condition of Franchisor entering into the Franchise Agreement with Franchisee. The Guarantors will be jointly and severally liable for the breach of the Franchise Agreement.
- 2. The Franchise Agreement.** The Guarantors agree and acknowledge that any and all obligations of the Franchisees in the Franchise Agreement are adopted and incorporated herein. Unless specifically stated otherwise, the terms used in this Personal Guarantee Agreement shall have the same meaning as in the Franchise Agreement and be interpreted and construed in accordance with Section 20 of the Franchise Agreement. References to "Franchisee" and the "Franchise Agreement" in the Franchise Agreement shall be deemed to apply to "Guarantors" and this "Personal Guarantee Agreement," respectively, herein. Guarantors hereby acknowledge and agree to be individually bound by all of the obligations of the Franchisees set forth in the Franchise Agreement, including, but not limited to, Restrictive Covenants contained in Section 14 of the Franchise Agreement (confidentiality and non-competition), the Transfer and Assignment provisions contained in Section 15, the Dispute Resolution provisions in Section 18, and the Notice provisions in Section 20.10 of the Franchise Agreement.
- 3. Personal Guarantee.** The Undersigned Individuals, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations under the Franchise Agreement will be punctually paid and performed. Upon demand by Franchisor, the Undersigned Individuals will immediately make each payment to Franchisor required of Franchisee under the Franchise Agreement. The Undersigned Individuals hereby waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise 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 Undersigned Individuals under this Personal Guarantee Agreement, Franchisor may, without notice to the Undersigned Individuals, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The undersigned waive notice of amendment of the Franchise Agreement and

notice of demand for payment by Franchisee and agree to be bound by any and all such amendments and changes to the Franchise Agreement.

4. **INDEMNIFICATION TO FRANCHISOR. THE UNDERSIGNED INDIVIDUALS HEREBY AGREE TO DEFEND, INDEMNIFY, AND HOLD FRANCHISOR HARMLESS AGAINST ANY AND ALL LOSSES, DAMAGES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, BUT NOT LIMITED TO, 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 FRANCHISE AGREEMENT, ANY AMENDMENT THERETO, OR ANY OTHER AGREEMENT EXECUTED BY FRANCHISEE REFERRED TO THEREIN.**
5. **Termination.** This Personal Guarantee Agreement shall terminate upon the termination, expiration, or renewal of the Franchise Agreement, except that all obligations and liabilities of the undersigned that arose from events that occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration, renewal, or termination of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor shall be bound by this Personal Guarantee Agreement, 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.
6. **Severability.** If, for any reason whatsoever, any term or condition of this Personal Guarantee Agreement or the application thereof to any party or circumstance shall, to any extent, be invalid, unenforceable, contrary to, or in conflict with any applicable present or future law or regulation, all other terms and conditions of this Personal Guarantee Agreement and/or the application of such terms and conditions to the Parties or circumstance shall not be affected thereby. Each term and condition of this Personal Guarantee Agreement shall be separately valid and enforceable to the fullest extent permitted by law. If there is a discrepancy between this Personal Guarantee Agreement and the Franchise Agreement, this Personal Guarantee Agreement controls.
7. **Entire Agreement.** This Personal Guarantee Agreement and the Franchise Agreement constitute the entire agreement between Franchisor and the Guarantors, and supersede any earlier or contemporaneous negotiations, discussions, understandings, or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Personal Guarantee Agreement other than those in the Personal Guarantee Agreement and the Franchise Agreement. No amendment or modification to this Personal Guarantee Agreement will be binding on either party unless it is mutually agreed to and executed in writing.
8. IN WITNESS WHEREOF, each of the undersigned has signed this Personal Guarantee Agreement as of the date of the Franchise Agreement.

[Remainder of Page Intentionally Left Blank. Signature Page on Following Page.]

GUARANTORS

Owners:

Print Name:
Address:
Email:

Print Name:
Address:
Email:

Print Name:
Address:
Email:

Spouses:

Print Name:
Address:
Email:

Print Name:
Address:
Email:

Print Name:
Address:
Email:

SCHEDULE 4 - ELECTRONIC FUNDS TRANSFER AUTHORIZATION

License Number:

Franchisee Information

Franchisee Name:
Franchisee Email Address:
Franchisee Phone Number:
Franchisee Mailing Address:
Federal Tax ID #:

Financial Institution Account Information

Bank Name:
Bank Phone Number:
Bank Mailing Address:
Bank Account No.:
Bank Routing No. (9 digits):
Account Type (checking, savings, etc.):

Effective as of the date of the signature below, [Franchisee Name] (“Franchisee”) hereby authorizes Modern Halo Franchising, LLC (“**Franchisor**”) or its designee to initiate debit and/or credit entries to/from Franchisee’s account from the above-referenced financial institution account (“Franchisee’s Bank Account”), electronically or otherwise, and Franchisee authorizes the above-referenced financial institution to accept and to debit/credit the amount of such entries to/from Franchisee’s Bank Account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. This authorization is to remain in full force and effect until such time and in such a manner as to afford Franchisor and the above-referenced financial institution a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective. **FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT FOR THE PURPOSES OF SETTING UP BANK AND TRANSIT NUMBERS.**

Agreed on _____ [date]:

FRANCHISEE:

By: _____
[Name]
[Title]
Authorized Representative of [Franchisee]

EXHIBIT B
FINANCIAL STATEMENTS

12/31/2024 - Opening Balance Sheet

Current Assests:

Cash	\$	500.00
Due from Affiliate	\$	-
Total Current Assets:	\$	500.00

Fixed Assets:

Equipment	\$	-
Accum Depreciation:	\$	-
Total Fixed Assets:	\$	-

Other Assets:

Intangible Assets	\$	-
Total Assets:	\$	500.00

Current Liabilities

Accounts Payable	\$	-
Due to Affiliates	\$	-
Total Liabilities	\$	-

Members Equity

Members Equity	\$	-
Total Equity	\$	500.00

EXHIBIT C
BRAND STANDARDS MANUAL TABLE OF CONTENTS

The Modern Halo Brand Standards

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EXHIBIT D
CONTRACTS

CONFIDENTIALITY, INTELLECTUAL PROPERTY, AND RESTRICTIVE COVENANT AGREEMENT

[THIS EXHIBIT IS FOR REFERENCE PURPOSES ONLY AS A SAMPLE FORM CONFIDENTIALITY AGREEMENT THAT FRANCHISOR MAY APPROVE FOR USE BY FRANCHISEE – BEFORE USING WITH AN EMPLOYEE OR CONTRACTOR FRANCHISEE SHOULD HAVE THIS AGREEMENT REVIEWED AND APPROVED BY AN INDEPENDENT LOCAL ATTORNEY HIRED BY FRANCHISEE.]

This Confidentiality, Intellectual Property, and Restrictive Covenant Agreement (the “Agreement”) is entered into by the undersigned (“you”) in favor of _____ [Franchisee] (hereinafter referred to as “us,” “our” or “we”), upon the terms and conditions set forth in this Agreement.

Recitals and Representations

WHEREAS, we are the owners of a licensed Franchised Business (hereinafter referred to as the “Franchised Business”) that we independently own and operate as a franchisee;

WHEREAS, you are or are about to be an employee, independent contractor, officer, and/or director of a Franchised Business that is independently owned and operated by us;

WHEREAS, in the course of your employment, independent contractor relationship, and/or association with us, you may gain access to Confidential Information (defined below in this Agreement), and you understand that it is necessary to protect the Confidential Information and for the Confidential Information to remain confidential;

WHEREAS, our franchisor, Modern Halo Franchising, LLC (“Franchisor”) is not a party to this agreement and does not own or manage the Franchised Business but is an intended third-party beneficiary of this Agreement; and

WHEREAS, this Agreement is not an employment agreement and is only a confidentiality agreement in connection with information, materials, and access that may be provided to you in connection with the Franchised Business.

NOW THEREFORE, you acknowledge and agree as follows:

- 1. Recitals and Representations.** You agree that the foregoing Recitals and Representations are true and accurate and shall constitute a part of this Agreement and are hereby incorporated into the main body of this Agreement.
- 2. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:
 - a. “Brand Standards” means Franchisor’s prescribed or recommended standards, requirements, specifications, techniques, methods, policies, procedures, instructions, and rules relating to the operation and management of the Franchised Business, as Franchisor may amend from time to time. By way of example, the Brand Standards include, but are not limited to, standards, requirements, specifications, techniques, methods, policies, procedures, instructions, and rules relating to the membership program, Products, Services, use of the Proprietary Marks, location demographics, interior and exterior designs, décor, and color schemes for the buildout and construction; certain furniture, fixers, and equipment, business forms, sales techniques, marketing and advertising, and certain vendors and software programs.
 - b. “Brand Standards Manual” means collectively, all manuals, policies and procedures, guides, directives, books, pamphlets, bulletins, memoranda, letters, notices, computer media (i.e.,

computer software), or other publications documents, or electronic media prepared by or on behalf of Franchisor for use by Franchisees generally or for Franchisee in particular, that contain the Brand Standards, as Franchisor may amend from time to time.

- c. “Confidential Information” means all of Franchisor’s trade secrets, Copyrighted Materials, methods, techniques, and know-how, including, but not limited to, proprietary and marketing information, the Brand Standards Manual, technical knowledge, research data, process, programs, designs, Products, Services, or marketing plans, financial or personal data, sales, supplier, customer, employee, or investor information, or the like, relating to the business affairs or operations of Franchisor or its franchisees, whether in oral, written, electronic, graphical, or other forms, provided that Confidential Information does not include any information that: (i) was publicly known and made generally available in the public domain prior to the time of disclosure by Franchisor; (ii) becomes publicly known and made generally available after disclosure by Franchisor through no action or inaction by Franchisee; or (iii) is required to be released or disclosed by law or judicial order.
- d. “Copyrighted Materials” refers to and includes all versions, variations, and adaptations of the following materials in tangible form, either produced by franchisor or produced on its behalf as works for hire, or derived from works produced by or on behalf of franchisor: (i) all manuals and training modules used in the franchised business’s development, operations, and marketing activities, including, but not limited to the Brand Standards Manual, (ii) training materials (including printed, audio, video, or electronic materials); (iii) plans and specifications; (iv) menu designs and graphics; (v) product identification posters, photographs, and graphics; (vi) advertising and marketing materials; (vii) labels, forms, and reports provided by franchisor; (viii) any computer software developed for use in the operation of Franchised Business; (ix) all trade dress and trade dress elements; and (x) any other materials protected by copyright law or marked or identified by franchisor as protected by copyright.
- e. “Proprietary Marks” or “Marks” means the trademarks, THE MODERN HALO and THE MODERN HALO – Head Spa & Dry Bar , together with such other trademarks, service marks, trade names, distinctive names, commercial symbols, and related logo designs and insignia, which Franchisor may designate from time to time as part of the System, and not hereinafter withdrawn.

3. Your Access to Proprietary Confidential Information. In addition to the representations and acknowledgments contained in the Recitals and Representations above, you acknowledge and represent that in your capacity as an employee, independent contractor, officer, and/or director of the Franchised Business, you will be gaining access to, among other things, the Confidential Information that is unique to Franchisor’s System and the Franchised Business. You acknowledge that the terms of this Agreement are fair and reasonable. You further acknowledge that you had no part in the creation or development of nor do you have any property or other rights or claims of any kind in or to any element of the System, the Proprietary Marks, or any Confidential Information, including, but not limited to, any matters dealt with in the Brand Standards Manual. Your entire knowledge of the operation of the Franchised Business, the System, and the concepts and methods of promoting the Franchised Business that you have now or obtain in the future is derived from Franchisor’s Proprietary Marks and Confidential Information. You also acknowledge that all disclosures made to you relating to the System and Confidential Information, including, without limitation, the specifications, standards, procedures, and the entire contents of the Brand Standards Manual, are communicated to you solely on a confidential basis and as trade secrets, in which Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure.

- 4. Protection of the Confidential Information.** You agree that at all times, during and after your employment, contact, or services as an officer, director, or agent of the Franchised Business: (i) you will not use the Confidential Information in any business or capacity other than the Franchised Business; (ii) you will maintain the confidentiality of the Confidential Information at all times; (iii) you will not make unauthorized copies of documents containing the Confidential Information; (iv) you will take such reasonable steps as the we may ask of you from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (v) you will stop using the Confidential Information immediately at the termination of your employment, contract, or services as an officer, director, or agent and at our request or demand. You will not use the Confidential Information for any purpose other than to perform your duties on our behalf and in accordance with the scope of your work with us.
- 5. Works for Hire and Intellectual Property Assignment.** You also acknowledge and agree that any and all intellectual property, including but not limited to trademarks, patents, copyrighted materials, or other proprietary and confidential information, conceived, developed, or adapted by you related to the Franchised Business or Franchise System are "works made for hire" and by virtual of our Franchise Agreement with the Franchisor are owned by Franchisor. You must promptly disclose to us all ideas, concepts, techniques, methods, processes, or materials concerning the Franchised Business or the Franchise System, whether or not protectable intellectual property, that you conceive, develop, or adapt related to the Franchised Business or Franchise System. Such intellectual property will be deemed Franchisor's sole and exclusive property. You further agree that you will not use, nor will you allow any other person or entity to use, any such intellectual property without obtaining our prior written consent and approval. To the extent such intellectual property does not qualify as a "work made for hire," you hereby waive any moral and similar rights to such intellectual property and assign Franchisor your economic rights and all rights, title, and interest in and to such intellectual property in perpetuity throughout the world without additional compensation or obligations to you. You shall execute any and all instruments and documents, render such assistance, and perform such acts and things as may, in the opinion of us or Franchisor, be necessary or advisable in furtherance of such assignment and waiver.
- 6. Reasonableness of Covenants and Restrictions.** You agree that: (i) the terms of this Agreement are reasonable and fair and that you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **You hereby waive any right to challenge the terms of this Agreement as being overly broad, unreasonable, or otherwise unenforceable.**
- 7. Breach.** You agree that failure to comply with the terms of this Agreement will cause irreparable harm to us and to our Franchisor, Modern Halo Franchising, LLC, and other Modern Halo franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us or our franchisor, Modern Halo Franchising, LLC, to injunctive relief. You agree that we and/or our franchisor, Modern Halo Franchising, LLC, may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, you agree that the amount of the bond shall not exceed one thousand dollars (\$1,000.00). None of the remedies available to us under this Article are exclusive of any other but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. If we hire an

attorney or file a suit against you because you have breached this Agreement and if we prevail in such a lawsuit, you agree to pay the reasonable attorney fees and costs that we incur.

- 8. Severability.** Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion, and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

YOU ACKNOWLEDGE THAT THIS IS NOT AN EMPLOYMENT AGREEMENT.

YOU ACKNOWLEDGE AND AGREE THAT OUR FRANCHISOR, MODERN HALO FRANCHISING, LLC, IS NOT A PARTY TO THIS AGREEMENT BUT IS AN INTENDED THIRD-PARTY BENEFICIARY OF THIS AGREEMENT.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

AGREED BY:

RESTRICTED PARTY

BY: _____

Date: _____

[NAME]

[TITLE]

LEASE ADDENDUM

THIS LEASE ADDENDUM is made, entered into, and effective on _____, 20__ (“Effective Date”) by and between Modern Halo Franchising, LLC (“Franchisor”), a Texas limited liability company, _____ (“Tenant”), and _____ (“Landlord”).

WHEREAS, Franchisor and Tenant are parties to a Franchise Agreement dated _____, License No. ____ (“Franchise Agreement”), which provides that Tenant is granted a license to own and operate a Modern Halo franchise business, utilizing Franchisor’s Proprietary Marks, System, and Brand Standards (“Franchised Business,” as further defined by the Franchise Agreement).

WHEREAS, the Franchise Agreement requires Franchisor’s approval of the location where Tenant will own and operate the Franchised Business (“Approved Site”);

WHEREAS, Landlord and Tenant are simultaneous to the execution of this Lease Addendum entering into a lease agreement (“Lease”) pertaining to the Approved Site located at _____ (“Premises”) for the Tenant’s operation of the Franchised Business as a tenant of the Landlord, and Landlord and Tenant acknowledge and agree that this Lease Addendum shall be adopted and incorporated into the Lease between Landlord and Tenant.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth in this Lease Addendum and the Franchise Agreement, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. **Use and Exclusivity.** During the Term of the Franchise Agreement, Tenant will be permitted to use the Premises exclusively to operate the Franchised Business, and Tenant has exclusivity within the property where the Premises are located to operate a business that primarily engages in head spa or dry bar services.
2. **Franchise System Marks.** Subject to applicable laws, regulations, and ordinances, including zoning laws, Landlord consents to Tenant’s installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of Franchisor’s System as Franchisor may from time to time prescribe.
3. **Assignment.** Landlord acknowledges that Tenant intends to operate the Franchised Business on the Premises and that Tenant’s rights to operate the Franchised Business and to use Franchisor’s franchise System’s trademarks and service marks are solely pursuant to the Franchise Agreement. Tenant operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another Designated Assignee (as defined below) assumes the Lease and takes actual possession of the Premises. Notwithstanding any provisions of the Lease to the contrary, Landlord hereby consents, without payment of fees and without the need for further Landlord consent, to the collateral assignment of Tenant’s interest in the Lease to Franchisor to secure Tenant’s obligations to Franchisor under the Franchise Agreement (“Collateral Assignment”). Additionally, upon Landlord’s consent, which shall not be unreasonably withheld, Franchisee shall be permitted to assign the Lease, without the payment of fees, to: (a) Franchisor, (b) Franchisor’s affiliates or successors, or (c) another franchisee of Franchisor or Franchisor’s affiliates or successors (“Designated Assignee”), provided such Designated Assignee meets the qualification standards of the Landlord as of the date of the Lease (“Other Assignment”). Landlord shall not impose fees or accelerate the rent in the event of a Collateral Assignment or Other Assignment. In the case of a Collateral Assignment or Other Assignment,

Franchisor or the Designated Assignee, as applicable, shall assume all obligations of Franchisee under the Lease from and after the date of assignment but will have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment. Landlord further agrees that all unexercised renewal or extension rights stated to be personal to Tenant shall not be terminated in the event of any assignment referenced herein but shall inure to the benefit of the applicable Designated Assignee.

4. **Franchisor's Rights Upon Tenant's Default of Lease.** Concurrently, with any notice of default of the Lease provided to Tenant, Landlord shall provide notice to Franchisor of Tenant's default under the Lease. Franchisor shall have the right, at its option, to cure Tenant's default under the Lease within ten (10) days after the expiration of Tenant's cure period. Additionally, should Tenant default under the Lease, Franchisor or another Designated Assignee shall have the right, but not the obligation, to assume the Lease pursuant to Section 3 of this Lease Addendum.
5. **Expiration or Termination.** Upon the earlier of the expiration or termination of the Lease or the Franchise Agreement, including, but not limited to, in the event of Tenant's default and Franchisor's election not to assume the Lease for itself or through another Designated Assignee, Tenant shall immediately de-identify the Premises to cease using and remove the distinctive elements of the Franchisor's trade dress and designs and make any alterations to the Premises necessary protect Franchisor's System and Marks ("De-Identify").
6. **Franchisor's Right to Enter.** Landlord acknowledges that, (a) under the Franchise Agreement, Franchisor, or its designee, has the right to assume the management and operation of Tenant's business on Tenant's behalf under certain circumstances, (b) shall have the right, at its option, to cure Tenant's default of the Lease, and (c) shall have the right to De-Identify the Premises should Tenant fail to do so following termination or expiration of the Lease or Franchise Agreement. Landlord agrees that Franchisor or its designee shall have the right to enter the Premises for the purposes of assuming the management of the Franchised Business or take other corrective actions as provided in the Franchise Agreement. If it chooses to do so, Franchisor will do so in the name of the Tenant, without assuming any direct liability under the Lease unless Franchisor exercises the right to assume the Lease as set forth in Section 3 of this Lease Addendum, and without being guilty of trespass or any other crime or tort. Should Franchisor's entry be for the purposes of De-Identification or other alteration or modification of the Premises, Franchisee shall be responsible for all costs and liabilities associated with such De-Identification, Alterations, or Modifications. Neither Franchisor nor Landlord will be responsible to Tenant for any damages Tenant might sustain as a result of action Franchisor takes in accordance with this provision. Tenant shall repair and reimburse Landlord for the cost of any damage to the Premises' walls, floor, or ceiling that results from Franchisor's De-Identification, Alteration, or Modification of the Premises.
7. **Notice.** Landlord agrees to furnish Franchisor with copies of all letters and notices it sends to Tenant pertaining to any default, term expirations, renewal options, or termination of the Lease and the Premises concurrently with such letters and notices to Tenant. Notice shall be sent to Franchisor by the method(s) as stated in the lease to:

Modern Halo Franchising, LLC
26717 Westheimer Parkway, Suite 402
Katy, Texas 77494-8058
(281) 682-0410
info@MTHfranchising.com

8. **Amendments, Modifications, and Assignments to the Lease.** Landlord and Tenant shall not terminate, amend, or modify the Lease in any manner without Franchisor's prior written consent. Franchisee shall not assign the Lease or sublet the Premises without Franchisor's prior written consent, and Landlord will not consent to an assignment or sublet by Franchisee without first verifying that Franchisor has given its written consent to Franchisee's proposed assignment or sublet.
9. **Recitals and Defined Terms.** The Recitals are adopted and incorporated into this Lease Addendum as part of its terms. All terms that are not defined in this Lease Addendum shall have the meaning as defined in the Franchise Agreement and Lease.
10. **Remaining Lease Provisions.** Those parts of the Lease not expressly modified by this Lease Addendum remain in full force and effect.
11. **Counterparts.** This Lease Addendum may be executed in one or more counterparts, each of which shall cumulatively constitute an original. Electronic signatures shall constitute an original.

IN WITNESS HEREOF, the Parties hereby execute this Lease Addendum effective as of the Effective Date.

AGREED by:

LANDLORD:

By: _____ Date: _____
 [NAME]
 [Title]
 [Entity Name]

TENANT:

By: _____ Date: _____
 [NAME]
 [Title]
 [Entity Name]

FRANCHISOR:

By: _____ Date: _____
 Christina Batson
 Chief Executive Officer
 Modern Halo Franchising, LLC

GENERAL RELEASE OF CLAIMS

[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise agreement or as a condition of our approval of a transfer of your Franchised Business, we may require you to sign a general release.]

This General Release of Claims (“Release”) is made as of _____, 20____ (“Franchisee”) and each individual holding a direct or indirect ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Modern Halo Franchising, LLC, a Texas limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement on or about _____, License No. ____ (“Franchise Agreement”) pursuant to which Franchisee was granted the right to own and operate a Franchised Business, as that term is defined in the Franchise Agreement;

WHEREAS, [Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or ownership interest in Franchisee, to a transferee (“Transfer”)/enter into a successor franchise agreement (“Renewal”)/amend the Agreement (“Amendment”)] OR [The Agreement is being terminated (“Termination”)/or indicate other reason for the requirement of this waiver and release], and Franchisor has consented to such; and

WHEREAS, as a condition to Franchisor’s consent to the [Transfer / Renewal / Amendment / Termination / Other Reason], Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged and intending to be legally bound, Releasor hereby agrees as follows:

- 1. Representations and Warranties.** Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that they are duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.
- 2. Release.** Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Franchise Agreement and the offer and sale of the franchise related

thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.

3. **Non-disparagement.** Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.
4. **Confidentiality.** Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.
5. **Miscellaneous.**
 - a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of this Release with legal counsel and/or that such a discussion with legal counsel has occurred.
 - b. This Release shall be construed and governed by the laws of the State of Texas.
 - c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.
 - d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
 - e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.
 - f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in writing and signed by all the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.
 - g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.
 - h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

[Remainder of Page Intentionally Left Blank; Signatures on Following Page]

IN WITNESS WHEREOF, Releasor has executed this Release as of the date signed below.

AGREED by:

FRANCHISEE:

By: _____ Date: _____
[NAME]
[Title]
[Entity Name]

FRANCHISEE OWNERS:

By: _____ Date: _____
[NAME]
[Title]
[Entity Name]

By: _____ Date: _____
[NAME]
[Title]
[Entity Name]

By: _____ Date: _____
[NAME]
[Title]
[Entity Name]

EXHIBIT E
AGENTS FOR SERVICE OF PROCESS
AND
STATE ADDENDUM AND AGREEMENT RIDERS

List of Agents for Service of Process

We do not 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:

LIST OF STATE AGENT FOR SERVICE OF PROCESS	
<p><u>CALIFORNIA</u> Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free (866) 275-2677</p>	<p><u>CONNECTICUT</u> Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230</p>
<p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><u>ILLINOIS</u> Illinois Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>
<p><u>INDIANA</u> Indiana Secretary of State Franchise Section 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><u>MICHIGAN</u> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117</p>	<p><u>MINNESOTA</u> Minnesota Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p>
<p><u>NEW YORK</u> New York Secretary of State 99 Washington Avenue, 6th Floor Albany, NY 12231 (518) 472-2492</p>	<p><u>NORTH DAKOTA</u> North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712</p>

<p><u>OREGON</u> Secretary of State Corporation Division - Process Service 255 Capitol Street NE, Suite 151 Salem, OR 97310-1327 (503) 986-2200</p>	<p><u>RHODE ISLAND</u> 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><u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>	<p><u>VIRGINIA</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p><u>WASHINGTON</u> Director, Department of Financial Institutions Securities Division, 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760</p>	<p><u>WISCONSIN</u> Administrator, Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139</p>

**STATE ADDENDA AND AGREEMENT RIDERS ADDENDUM TO FRANCHISE AGREEMENT,
SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN
STATES FOR MODERN HALO FRANCHISING, LLC**

The following modifications are made to the Modern Halo Franchising, LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated *******, 20****** (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Texas. When the term “**Supplemental Agreements**” is used, it means “**None**.”

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to Wisconsin. The Modern Halo Franchising, LLC does not intend on registering, offering, or selling franchises in the the following states: California, Connecticut, Georgia, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Carolina, North Dakota, Ohio, Rhode Island, South Carolina, South Dakota, Virginia, and Washington.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

Section 18 of the Franchise Agreement is hereby deleted in its entirety.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- | | | | |
|--------------------------------------|------------------------------------|---|---|
| <input type="checkbox"/> California | <input type="checkbox"/> Iowa | <input type="checkbox"/> New York | <input type="checkbox"/> South Carolina |
| <input type="checkbox"/> Connecticut | <input type="checkbox"/> Indiana | <input type="checkbox"/> North Carolina | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Georgia | <input type="checkbox"/> Maryland | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Virginia |
| <input type="checkbox"/> Hawaii | <input type="checkbox"/> Michigan | <input type="checkbox"/> Ohio | <input type="checkbox"/> Washington |
| <input type="checkbox"/> Illinois | <input type="checkbox"/> Minnesota | <input type="checkbox"/> Rhode Island | <input type="checkbox"/> Wisconsin |

EXHIBIT F
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following States require that the Franchise Disclosure Document be registered or filed with the State or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

The Modern Halo Franchising, LLC is not registered and does not offer franchises in any of the following states except Wisconsin:

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	July 29, 2025

Other states may require registration, filing, or exemption of a franchise under different laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT (Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document carefully.

If Modern Halo Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14-calendar days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Modern Halo Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and any applicable state agency (listed in Exhibit E).

This franchise is being offered by the following seller(s) at the principle business address and phone number listed below (check all that have been involved in the sales process):

- Christina Batson
- Nicole Brayton
- Adria Scheet

26717 Westheimer Parkway, Suite 402, Katy, Texas 77494-8058, (281) 682-0410

Other - Name: _____

Address: _____ Phone: _____

Issuance Date: July 29, 2025

See Exhibit E for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated _____, 2025, that included the following Exhibits:

- A. Franchise Agreement
- B. Financial Statement
- C. Brand Standards Manual Table of Contents
- D. Contracts
 - D-1: Confidentiality and Non-Competition Agreement
 - D-2: EFT Authorization Form
 - D-3: Lease Addendum
 - D-4: General Release
- E. E-1 Agents for Service of Process / E-2 State Addenda and Riders
- F. State Effective Dates

PROSPECTIVE FRANCHISEE:

Signature: _____ Date: _____

Print Name: _____

Entity Name (if any): _____

Title: _____

RECEIPT (Your Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document carefully.

If Modern Halo Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14-calendar days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

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- F. State Effective Dates

PROSPECTIVE FRANCHISEE:

Signature: _____ Date: _____

Print Name: _____

Entity Name (if any): _____

Title: _____