

FRANCHISE DISCLOSURE DOCUMENT



The Hammer & Nails Salon Group, LLC
a California limited liability company
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The franchise described in this disclosure document is for the establishment of a franchised retail men's grooming business that specializes in barbering, straight razor shaves, and hand and foot grooming, along with other grooming services, primarily for men under the name "Hammer & Nails®" at a specific location (referred to as a "Location" or "Location Franchise").

The total Investment necessary to begin operation of a Hammer & Nails® Location ranges from \$~~423,705~~424,205 to \$~~634,700~~686,200. This includes the Initial Franchise Fee of \$~~49,950~~51,450 that must be paid to us or our affiliates.

This disclosure document ("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 fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats contact Aaron Meyers, Chief Executive Officer, The Hammer & Nails Salon Group, LLC, 101 Parkshore Drive, Suite 100, Folsom CA 95630, (916) 932-2150.

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

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

Issuance Date: April 20, 2023

Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution.** Out-of-state dispute resolution. The Area Representative Agreement requires you to resolve disputes with the franchise by mediation, arbitration, and/or litigation only in California. Out-of-state mediation, arbitration, and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, and/or litigate with the franchise in California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.”
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Minimum Advertising Requirements.** You may be required to make minimum advertising payments regardless of your sales levels. Your inability to make the payments may result in termination of your Franchise and loss of your investment.
5. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.”

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

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Hammer & Nails Salon Group, LLC, a California limited liability company (“Hammer & Nails®”), is offering prospective franchise owners the opportunity to own and operate a Hammer & Nails® location franchise in accordance with the terms described in this Disclosure Document. To simplify the language in this Disclosure Document, the terms, “We”, “Us”, “the Company”, or “Hammer & Nails®” mean The Hammer & Nails Salon Group, LLC, the franchisor (but not the Company’s officers, directors, agents or employees). “You” or “Franchisee(s)” mean the person(s) who buys a franchise from us. The term “Location(s)” or “Location Franchise(s)” mean one or several Hammer & Nails® location franchises or franchise units. The owner(s) of a Location Franchise is referred to as a “Location Franchisee(s)” or “Franchisee(s)”. If you are a corporation, partnership or other entity, our Franchise Agreement (“FA”) will also apply to your owners, officers and directors (“Owners”). Unless otherwise indicated, the term “Franchised Business” means a Hammer & Nails® Location Franchise.

The Franchisor, and any Parents, Predecessor and Affiliates

We are a California limited liability company, created on February 11, 2015. We have no predecessors or parents.

Our principal business and mailing address is 101 Parkshore Drive, Suite 100, Folsom CA 95630. Our telephone number is (916) 932-2150. We do not maintain a sales office at any location other than our principal places of business. We operate under our corporate name, The Hammer & Nails Salon Group, LLC. We do not do business or intend to do business under any other names. Our agent for service of process is disclosed in Exhibit C to this Disclosure Document.

~~Our Chairman, John Choi, owns a minor interest in H&N Folsom I, LLC (“the Folsom Shop”). While the Folsom Shop is not a company-owned unit, it is considered an affiliate for purposes of this Disclosure Document because it is partially owned by one of our officers. The Folsom Shop is located at 195 Placerville Road, Suite 110, Folsom CA 95630. While this shop is not a company-owned unit, it is considered an affiliate for purposes of this Disclosure Document because it is owned by our Chairman. The Folsom Shop does not offer franchises in any line of business or provide products or services to the franchisees of the franchisor.~~

Our Business

Hammer & Nails® Location Franchises have been developed to offer the only complete grooming experience. Our services include barbering, straight razor shaves, manicures, pedicures, and waxing. Licensed professionals perform our unique services in an environment that is second to none. The Hammer & Nails® philosophy is centered on providing quality grooming services focused primarily on men in a comfortable environment. Our shops are full-service business that operates year-round and is typically located in shopping malls, strip centers, or free-standing structures. All shops offer beverages containing alcohol as well as other non-alcohol drinks. Shops also sell retail products such as apparel, nail, and hair care products. We are a brand focused on innovation, and as such, we may, in the future, authorize Franchisees to offer additional services and products such as shoe-shining, cigars, and other grooming and salon-related services or products approved by us.

We grant franchises for the right to operate under the name “Hammer & Nails®”, and other marks designated by the Company from time to time (collectively referred to as the “Marks”). We refer to our proprietary and confidential system for the operation of Hammer & Nails® Location Franchises, together with the Marks, as “the System.” You must offer all products and services that we may specify and may not offer any products or services we have not authorized. We are not currently engaged in any other business.

ITEM 5

INITIAL FEES

Initial Franchise Fee

Upon signing the Franchise Agreement, you must pay us an Initial Franchise Fee in the amount of Forty-Nine Thousand Nine Hundred and Fifty Dollars (\$49,950). This amount is payable in one lump sum payment, is considered fully earned and non-refundable upon receipt, and except as provided below, imposed uniformly on all franchisees. We reserve the right to modify or discount the Initial Franchise Fee in the future to reflect the changing costs of doing business and changes in the value of a Hammer & Nails® Location Franchise. We may discount or charge a different Initial Franchise Fee: (i) if a prospect purchases multiple Location Franchises (see below); (ii) if we are unable to locate a Location Franchisee in a particular area we consider desirable; (iii) for a Location Franchisee who is also the owner of an Area Representative Business; or (iv) based on other subjective factors we deem important to the System. The Initial Franchise Fee for an Area Representative Business is included as part of the fee charged to Area Representatives. Area Representative Businesses are offered under a separate franchise disclosure document.

Active Duty and Military Veteran Discount

If you are active duty or a military veteran, we offer a 10% discount off Initial Franchise Fees.

Discount for Purchase of Multiple Location Franchises

If you purchase multiple Locations Franchises from us at the same time, the Initial Franchise Fee will be as follows for each Location Franchise you purchase from us:

First Location Franchise	\$49,950 (no discount)
Second Location Franchise	\$39,950 (\$10,000 discount)
Third Location Franchise	\$29,950 (\$20,000 discount)
Each Additional Location Franchise	\$24,950 (\$25,000 discount)

Note that to qualify for the multiple Location Franchise discount, you must sign a separate Franchise Agreement for each Location Franchise and pay us the total Initial Franchise Fee due for all Location Franchises your purchase at the same time.

In 2022, all licenses sold were sold according to our then current pricing schedule.

Based on the information above, the Initial Franchise Fees range from \$0 to \$49,950, depending on whether a prospect purchase an Area Representative Business (\$0) or a single Location Franchise (\$49,950). The discounts above would apply if a prospect purchases more than one Location Franchise.

Site Evaluation Fee

Upon signing the Franchise Agreement, you must pay us a Site Evaluation Fee of \$1,500. This amount is payable in one lump sum payment, is considered fully earned and non-refundable upon receipt. The Site Evaluation Fee is to cover our cost in assisting you with evaluating potential sites for your Location Franchise.

Grand Opening Contribution

Unless otherwise required by applicable state law, you will pay to us an amount to be used to pay for your “Grand Opening” in accordance with the grand opening marketing budget and plan you and we develop (the “Grand Opening Contribution”). The Grand Opening Contribution will require you to spend \$15,000 to \$20,000.

If, for any reason, applicable state law does not permit us to collect the Grand Opening Contribution prior to opening your Location Franchise, then you must pay our approved vendors and service providers for their products and services furnished in accordance with the Grand Opening Marketing Program at the times when due based on invoices presented to you.

**ITEM 6
OTHER FEES**

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	6% of Gross Sales.	Currently we collect twice a month, but intend to change this to weekly, for the previous Monday through Sunday	See Note 2 for the definition of Gross Sales. We require you to pay Royalty Fees by electronic funds transfer. Accrued Royalties are debited from your account via electronic funds transfer on the next business day following the end of the period.
Franchisee Local Advertising	A minimum of \$1,500 per month.	Payments for local advertising are due when billed by the local advertiser.	
Cross Shop Redemption Shop Redemption	15% retained	Weekly for the previous Monday through Sunday	If a member who originated at your Shop redeems their membership credits at another H&N Shop you will retain 15% of the value of those membership credits and pay, through automatic debit from your account via electronic funds transfer on the next business day following the end of the period, 85% of the value of those membership credits to the H&N Shop that performed the services for your member.
Franchisee Advertising Cooperatives	As set by the cooperative.	As set by the cooperative.	Within any geographic area in which two or more company-owned or franchised Hammer & Nails® Franchise locations are located as a region for purposes of establishing an advertising cooperative (“Cooperative”), the franchisees may establish a Cooperative that includes your Hammer & Nails® Location Franchise. Franchisees may create Cooperative’s governing documents, which will set a dollar amount to contribution to a Cooperative. The Cooperative contributions will be applied to satisfy a portion of your local advertising requirements.

(2) “Gross Sales” is the total selling price of all services and products and all income of every other kind and nature related to the Hammer & Nails® Location Franchise, whether for cash or credit and regardless of collection in the case of credit. “Gross Sales” includes: (a) All proceeds from the sale of coupons, gift cards/certificates or vouchers; but when the memberships, coupons, gift cards/certificates or vouchers are redeemed, you are not required to count the retail value of the services provided in determining Gross Sales for royalty purposes or for other fees calculated in respect of Gross Sales (unless we direct otherwise, if you do not record and report sales proceeds for royalty purposes when the coupon, gift card/certificate or voucher is sold, or if coupons, gift cards/certificates or vouchers are distributed free of charge, you will be required to pay royalties based on the retail value of the services provided in exchange for the coupon, gift card/certificate or voucher.); and (b) Your share of revenues from any vending machines or other equipment, machines or devices installed in the Hammer & Nails® Location Franchise. “Gross Sales” does not include (i) sales taxes you collect from customers of the Hammer & Nails® Location Franchise, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to your employees by customers of the Hammer & Nails® Location Franchise or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Hammer & Nails® Location Franchise or having any material effect upon the ongoing operation of the Hammer & Nails® Location Franchise. Note: Currently, cross-shop/franchise redemptions of gift card or memberships may impact the total amount due for royalties and Ad Fund fees.

ITEM 7

ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee	\$22,455	\$49,950	Lump Sum	When you sign Franchise Agreement	Us
Site Evaluation Fee	\$1,500	\$1,500	Lump Sum	When you sign Franchise Agreement	Us
Lease Expenses (1) (3 months)	\$21,000	\$36,000	As stated in lease	As incurred	Landlord
Leasehold Improvements (2)	\$130,000	\$225,000	As arranged	As incurred	Contractors and subcontractors
Furniture, Fixtures, and Equipment (3)	\$130,000	\$180,000	As arranged	As incurred	Approved Suppliers
Owners Representative to Manage Build-out process	\$12,500	\$18,000	As arranged	As incurred	Approved Suppliers
Computer Hardware and Software (4)	\$2,500	\$2,750	As arranged	As incurred	Approved Suppliers
Initial Training Costs (5)	\$1,000	\$3,000	As arranged	Before opening	Costs of travel, lodging and meals
Security Deposits (6)	\$5,000	\$12,000	As arranged	As incurred	Third-Party Suppliers
Architect, Plans and	\$4,000	\$20,000	As arranged	As incurred	Architects, Designers

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Designs (including Site Plan/Design Fee) (7)					or Engineers
Signage (8)	\$7,000	\$11,000	As arranged	As incurred	Third-Party Suppliers
Initial Inventory/Supplies (9)	\$17,500	\$28,000	As arranged	As incurred (prior to opening)	Approved Suppliers
Grand Opening Marketing (10)	\$15,000	\$20,000	As arranged	As incurred	Advertisers and other vendors
Business Permits/Licenses (13) (1 st year)	\$250	\$2,000	As required by government authorities	As required by government authorities	Applicable government Authorities
Insurance Deposits and Premiums (1st year)	\$4,000	\$7,000	As required by insurance carrier	Before opening	Insurance carriers
Professional fees (first three months) (11)	\$1,500	\$5,000	As arranged	As arranged	Attorneys, accountants or other professionals
Additional Funds (12) (3 months)	\$50,000	\$65,000	As arranged	As arranged	Third parties
TOTAL (13)	\$423,705 \$425,205	\$684,700 \$686,200			

Notes:

(1) Hammer & Nails® Locations are typically located in commercially zoned shopping or entertainment areas. Due to the cost of land acquisition and new construction, we anticipate that the premises for Hammer & Nails® Location Franchise will be leased. These amounts assume that you will lease the premises for the Hammer & Nails® Location Franchise and do not include costs of land acquisition and construction of a building. The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans to a facility containing approximately 1,300 to 2,500 square feet. The square footage of Hammer & Nails® Location Franchises may vary depending on site availability and your chosen shop format. Any Shop build outside of the square footage range will required special approval from us and if approved your costs could be substantially different than what is listed above.

(2) Construction and remodeling costs may vary widely, depending upon numerous factors, including but not limited to, weather conditions, labor costs, costs of materials, location, condition of the building, cost of construction permits, premises and condition of any related facilities, such as HVAC, electrical/wiring and plumbing infrastructure. The leasehold improvement costs are based on net build out costs of H&N locations opened from 2018 through 2022. In most cases, the landlord has contributed to the cost of the build out by providing leasehold allowance, which has been factored into the estimates.

(3) This estimate includes all furniture, fixtures and equipment to be used in your Hammer & Nails® business, including trade dress, interior art work and design elements. All of these items must meet our standards and specifications.

(4) This amount includes estimated purchase costs or monthly lease cost of computer hardware and software (including, without limitation, back office software and point of sale software meeting our specifications and provided by our designated supplier or other manufacturer approved in writing by us) that you must use in the operation of your Hammer & Nails® Location franchise. (See Item 11). In addition, you will be required to pay the full monthly Technology Fee (\$750) within 180 days of signing your Franchise Agreement.

(5) We provide initial training to your initial Principal Owner and General Manager (if different) at no additional charge. Therefore, these amounts include only your out-of-pocket costs for the training of these people. You must pay all expenses you or your employees incur in the initial training program, like travel, lodging, meals and wages. ~~These costs will vary depending upon your selection of salary levels, lodging and dining facilities, mode and distance of transportation. (See Item 11).~~ The figures in the chart represent the estimated cost for one individual to attend our initial training program.

(6) You will likely be required to pay security deposits to certain third parties, including your landlord, telephone service provider, local utility companies and various equipment vendors and suppliers. ~~These amounts will vary for each location and will be based in part on the premises, services and equipment you select.~~

(7) You must use an approved architect/design vendor. After you receive your initial site plans/designs from the architect/design vendor, you may incur additional architect/design costs if modifications or other design services are needed in order to complete construction of your Hammer & Nails® Location Franchise based on specifications and requirements set for by us. All plans must be approved by us prior to the start of construction.

(8) All interior and exterior signage used at, or in connection with, your Hammer & Nails® Location Franchise must conform to our standards and specifications.

(9) We estimate that this range will cover the cost of product inventory (including nail care, haircut and shaving services, as well as other grooming services and other related products), supplies and other miscellaneous items for approximately the first 90 days of operations.

(10) You agree to conduct a grand opening advertising and promotional program for the shop and to spend \$15,000 to \$20,000, as determined by our standards. The grand opening program must be conducted during the period that is 30 days before and 30 days following the opening of your shop to the public (or such other period as may be prescribed by us in the Operations Manual). Such advertising and promotion will utilize the marketing and public relations programs and media and advertising materials we have developed or approved, including, without limitation, a variety of meetings with potential members and participation in local events to promote your shop. You will pay third party advertising vendors directly, but all grand opening advertising must be agreed upon by you and us in advance, and all advertising must conform to our standards and specifications.

(11) We strongly recommend that you retain an attorney to advise you on this franchise offering. You may also wish to retain an accountant to help you evaluate this franchise offering. If you choose to form an entity to own the franchise, you may incur additional fees that we cannot estimate.

(12) These amounts provide a range of additional funds needed for the first three months of operation. These additional funds include payroll, supplies and other general operating expenses. These amounts do not include any estimates for debt service or any salary or draw for you. These figures are estimates, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen. ~~You should base your estimated expenses on the anticipated costs in your market and consider whether you will need additional cash reserves.~~

(13) State and local government agencies typically charge fees for occupancy permits, business license, and barbering and cosmetology license. ~~Your actual costs may vary from the estimates based on the requirements of state and local government agencies.~~

~~Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.~~ We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable (See Item 10).

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must purchase certain products, supplies, insurance, inventory, signage, fixtures, furniture, equipment, décor and other specified items under specifications and standards that we periodically establish in our Manuals or other notices we send to you from time to time. You may be required to purchase or lease from us, our affiliates, or other designated third party suppliers all of the products, services, supplies, fixtures, equipment, inventory or real estate used in establishing or operating the Hammer & Nails® Location Franchise, but we do impose several sourcing/supplier requirements for certain items, including, among other things, private label products that you must offer for sale at any Hammer & Nails® Location Franchise you own and the supplies and products used in operating such business, and we reserve the right to require you to purchase some or all of such items from us, our affiliates or other third party designated suppliers in the future. Our sourcing/supplier requirements will impact you as the owner of a Hammer & Nails® Location Franchise. The equipment, products and services may include: equipment (such as pedicure bowls, manicure dishes, paraffin machines, towel warmer units, haircut and shaving supplies, and other equipment, furniture and fixtures, technology items (such as: POS System, computers, software, camera security system, flat screen televisions, wireless receivers and a sound system), approved products (such as: lotions, oils, nail polishes, towels, grooming products, hair care products, etc.), privately labeled products (which are products that carry the Hammer & Nails® brand), supplies (such as gloves, liners, containers, replacement pads, paper products, cleaning supplies, etc.), uniforms, signage, site design services, satellite television providers, merchant services, promotional merchandise, printed advertising materials, shows and event marketing opportunities and vendor, co-branding, affinity programs.

Approved and Required Vendors and Suppliers

To maintain the quality of the services and goods that Hammer & Nails Franchised Businesses offer and sell, as well as the reputation and goodwill of our Marks, you must operate your Franchised Business according to our System Standards. The System Standards may regulate, among other things: (i) the types, models, and brands of products, marketing materials and services your Franchised Business uses; (ii) required and authorized products and services that your Franchised Business must offer; (iii) required and authorized product and service categories; (iv) designated and approved suppliers of these items and services; and (v) design and layout specifications. As such, our current required vendors are:

Wadsworth Design Inc. They provide the initial layout of your space plan and purchase of majority of your furniture, fixtures, and equipment, including the lighting package for your build out.

WBC Group, LLC doing business as Meyer Spa. They provide the initial startup kit for majority of nonbranded supplies and retail products. In addition, they are required to use for ongoing supply and nonbranded retail product replenishments.

BPL Supplies, Inc. They provide all branded material, including print, apparel, supplies, and marketing collateral for your business.

Zenoti. They provide the Point of Sale software and credit card processing for your business.

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
		the owner of the leasehold) at fair market value. If you own the land where the Hammer & Nails® Location Franchise is located, we have the option to lease the land (and any building on the land used for the operation of the Hammer & Nails® Location Franchise), at a reasonable commercial rent. We have the option to have the lease for the premises of the Hammer & Nails® Location Franchise assigned to us.
p. Your death or disability	Section XV.E.	On death or permanent disability of you or an Owner the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section XI.C.(1)	You may not operate or have an interest in a business which is similar to the Location Franchise and which is located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.
r. Non-competition covenants after the franchise is terminated or expires	Sections XI.C.(2)	For 2 years you may not divert any of your business or customers to a competitor or have an interest in any business that is similar to the Location Franchise, within the Protected Area, within a 50-mile radius of the Location, or within a 50-mile radius of any Hammer & Nails® Location Franchise then in existence or under construction.
s. Modification of the agreement	Sections XI.A. and XX.O.	Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended.
t. Integration/merger clause	Section XX.Z.	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other written agreement is intended to disclaim representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Sections XX.F and XX.G.	Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except for actions we bring for monies owed, injunctive or other equitable relief, or relief relating to real property.
v. Choice of forum	Sections XX.F. and	Unless contrary to applicable state law:

GROSS REVENUES OF FRANCHISED OUTLETS

Qualifying Franchised Outlets - Gross Sales						
	<u>High</u>	<u>Top 25%</u>	<u>Average</u>	<u>Median</u>	<u>Low</u>	<u># of Shops</u>
2019	\$453,052	\$425,345	\$322,057	332,600	\$193,380	10
2020	\$646,340	\$383,449	\$344,592	\$338,642	\$111,820	10
2021	\$974,685	\$863,377	\$563,068	\$421,450	\$185,390	11
2022	\$1,453,663	\$1,139,605	\$712,962	\$696,563	\$308,491	15

Notes:

(1) Chart 1 shows the historical financial performance reflecting the actual Gross Revenues for 2019 through 2022 for the Hammer & Nails® Shops, or Qualifying Franchised Outlets, that were open for business at leath least twelve (12) full months the applicable years. ~~This includes the Gross Revenues of the Folsom Shop, which is owned in part by our Chairman. This Shop operates in the same manner as other Hammer & Nails Unit Franchises.~~ For the purpose of this Item 19, “Gross Revenues” is the total selling price of all services and products and all income of every other kind and nature related to the Hammer & Nails® business, whether for cash or credit and regardless of collection in the case of credit. “Gross Revenues” include: (a) All proceeds from the sale of memberships, coupons, gift cards/certificates or vouchers; but when the coupons, gift cards/certificates or vouchers are redeemed, but does not include the retail value of the services provided; and (b) revenues from any vending machines or other equipment, machines or devices installed in the Hammer & Nails® business. “Gross Revenues” does not include (i) sales taxes collected from customers, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to employees by customers of the Hammer & Nails® business or paid and turned over to employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Hammer & Nails® business or having any material effect upon the ongoing operation of the Hammer & Nails® business.

(3) Although the square footage of the Shops reporting above varies from 1100 +/- square feet to 2500 +/- square feet, each Shop offers substantially the same products and services as your franchised Shop will offer to customers.

~~(4) There are a number of fixed and variable costs associated with a Hammer & Nails® Shop that are not reflected in the table above and that vary among individual Hammer & Nails® Shops. These costs, which are significant, include costs described in Items 6 and 7 of this Disclosure Document, inventory costs, equipment costs, labor costs, rent, and other occupancy costs, taxes, utilities, insurance, royalty fees, advertising, supplies, bad debt, warranty expenses, charge card expenses, equipment rental, taxes, debt service, depreciation on equipment and property, legal and accounting fees, regulatory compliance, management costs, general administrative expenses, preopening organization costs, employee benefits, and repairs and maintenance. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business.~~

(5) The information in the chart was compiled based on reported revenues submitted to us by Hammer & Nails® franchisees. ~~We do not know if the figures reported to us by the franchisees were audited. We have not independently audited or verified the accuracy of these numbers, and we do not know if these numbers have been verified or audited on behalf of the franchisees.~~

This information is current through December 31, 2022. The information in the chart is unaudited and is based on the information that has been reported to us by our franchisees.

Written substantiation for the financial performance representations made in this Item 19 will be made available to the prospective franchisee upon reasonable request.

~~We encourage you to consult with your financial advisors in reviewing the information in this Item 19, in particular, in estimating the categories and amount of additional expenses that may be incurred in establishing and operating a Hammer & Nails® Shop.~~

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Aaron Meyers, President and Chief Executive Officer, 101 Parkshore Drive, Suite 100, Folsom, CA 95630, (916) 932-2150, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION (Location Franchises)

**Table No. 1
Systemwide Outlet Summary
For Years 2020 to 2022**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	11	11	0
	2021	11	15	+4
	2022	15	21	+6
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	11	11	0
	2021	11	15	+4
	2022	15	21	+6

**Table No. 2
Transfers of Outlets From Franchises to New Owners
(Other than the Franchisor)
For Years 2020 to 2022**

State(s)	Year	Number of Transfers
California	2020	0
	2021	1
	2022	0

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in Fiscal Year 2023	Projected New Company-Owned Outlets in Fiscal Year 2023
Pennsylvania	1	1	0
South Carolina	0	0	0
Tennessee	1	0	0
Texas	4	2	0
Virginia	3	3	0
Washington, D.C.	6	1	0
Total	49	29	0

Exhibit G lists the names of all of our operating Hammer & Nails® Location Franchisees and their addresses and telephone numbers as of December 31, 2022. Exhibit G lists the Hammer & Nails® Location Franchisees who have signed Franchise Agreements for which were not yet operational as of December 31, 2022, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every Location Franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system being offered.

None of our Location Franchisees have signed confidentiality clauses with us during the last three years which would restrict their ability to speak openly about their experience with us.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit D hereto are our audited financial statements covering the years ended December 31, 2022, December 31, 2021 and December 31, 2020.

“Taxes” means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed by federal tax authorities on our net income.

II. GRANT

A. Grant of Rights. We hereby grant you the right, and you accept the obligation, to establish and operate a Hammer & Nails® Franchise under the Marks and the System in accordance with this Agreement at the Franchise Location. This Agreement only grants you the right to operate the Hammer & Nails® Franchise at the Franchise Location in accordance with this Agreement and our standards. You are not authorized to offer any of the products and services offered by Hammer & Nails® Franchises at wholesale.

B. Protected Area. Your Protected Area will be described in Exhibit C. Except as provided in Section II.C. and subject to your full compliance with this Agreement and any other agreement between you or your Affiliates and us or our Affiliates, neither we nor any of our Affiliates will establish, or authorize any person or entity other than you to establish, a Hammer & Nails® Franchise in the Protected Area during the term of this Agreement.

C. Reserved Rights. The rights granted to you under this Agreement are nonexclusive, and we and our Affiliates have and retain all rights within and outside the Protected Area except those expressly granted to you. Accordingly, we, our Affiliates, and any other authorized person or entity will have the right, among others, (i) to operate, and license others to operate, Hammer & Nails® Franchises at any location outside the Protected Area, including locations that are adjacent to or surrounded by the Protected Area; (ii) within and outside the Protected Area to develop and establish other business systems (including systems that distribute products or services similar to those offered at Hammer & Nails® Franchises) using other names or marks and to grant licenses to use those systems; (iii) to advertise and promote the System in the Protected Area; (iv) to acquire, or be acquired by, any competing system or other third party, including a competing system that has one or more units located within your Protected Area; and (v) except for the restriction in Section II.B. against the establishment of another Hammer & Nails® Franchise in the Protected Area, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all similar or dissimilar services and products, under the Marks or under other names or marks, within and outside the Protected Area, through any other method of distribution, including, but not limited to, mail order catalogs and the internet, regardless of the competitive impact on the Hammer & Nails® Franchise.

III. SITE SELECTION, CONSTRUCTION, GRAND OPENING OBLIGATIONS, AND OPENING DATE

A. Site Selection and Acquisition. You assume all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Hammer & Nails® Franchise within the Designated Area. You acknowledge and agree that you acquire no rights in and to the Designated Area, other than the right to select a site for the Hammer & Nails® Franchise from within its boundaries. Following your selection and our acceptance of a site for your Hammer & Nails® Franchise, the Franchise Location will be identified in Exhibit C to this Agreement and the Designated Area will be of no further force or effect.

(1) To assist you in your selection of a site for your Hammer & Nails® Franchise, we will provide to you: (i) our written site selection guidelines and such site selection assistance as we deem advisable; ~~and~~ (ii) [information from our site evaluation software about any sites you propose to us; and \(iii\)](#)

such other on-site evaluation or information as we may deem appropriate and necessary; provided, that we will not provide an on-site evaluation or information for any proposed site before receiving all required information and materials required pursuant to Section III.A(2) below and, in our discretion, before receiving such information for multiple proposed sites.

(2) Before acquiring a site for the Hammer & Nails® Franchise, you must submit to us, in the form specified by us, a description of the site, evidence satisfactory to us demonstrating that the site satisfies our site selection guidelines, and such other information and materials as we may reasonably require, including, but not limited to, a final, complete copy of the lease (which must incorporate a rider in substantially the form attached hereto as Exhibit G) or contract of sale for the site for your Hammer & Nails® Franchise. Such lease or contract for sale may not be signed by you unless it includes a rider in substantially the form attached hereto as Exhibit G and is submitted to, and approved by, us in advance.

(3) We shall have fifteen (15) days after receiving all required site information to accept or reject, in our reasonable discretion, the proposed site as the location for your Hammer & Nails® Franchise. No site may be used for a Hammer & Nails® Franchise unless it is first accepted in writing by us, and you shall not make any binding commitment with respect to a site for your Hammer & Nails® Franchise unless the site is first accepted in writing by us. If we accept multiple sites for the Hammer & Nails® Franchise, you shall notify us in writing within five (5) days of the date of such acceptance of the site that you intend to acquire for the Hammer & Nails® Franchise. ~~You acknowledge that our acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by us that the Hammer & Nails® Franchise operated at that site will be profitable or otherwise successful.~~

(4) Promptly following our acceptance of the site for your Hammer & Nails® Franchise, you shall acquire the site by purchase or lease, at your expense. You agree to furnish to us a copy of the executed lease or contract of sale within ten (10) days after execution.

(5) After we accept the site and you acquire the site pursuant to this Agreement, the address of the site shall be entered on Exhibit C to this Agreement as the Franchise Location and the Protected Area around the Franchise Location will be described on Exhibit C.

(6) If you are not able to locate a site that is approved by us within 90 days after signing this Agreement then you will be in default, and we may, at our option, terminate this Agreement.

B. Franchise Location; Relocation. You have been granted the right to operate a Hammer & Nails® Franchise at the Franchise Location listed in Exhibit C to this Agreement. You must not relocate the Hammer & Nails® Franchise without our express prior written consent. If you are unable to continue the operation of the Hammer & Nails® Franchise at the Franchise Location because of the occurrence of an event of Force Majeure resulting in the loss or destruction of the premises for your Franchise Location, you may request our consent to relocate the Hammer & Nails® Franchise to another location in the Protected Area. Such request must be submitted to us as soon as possible (but in no event longer than 10 days) after the date you discover you will be unable to continue the operation of the Hammer & Nails® Franchise at the Franchise Location. If we grant you the right to relocate the Hammer & Nails® Franchise, you must comply with such reasonable site selection and construction procedures as we may require. We will allow relocation of your Franchise if the newly proposed site meets the requirements we impose on other new Location franchises, and unless you are in default of your Franchise Agreement or the proposed site adversely impacts an existing or proposed Location franchise.

C. Licenses; Permits. You are responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Hammer & Nails® Franchise at the Franchise Location, and you must

D. Franchisee Advertising Fee. During the term of this Agreement, you agree to pay to us a continuing periodic advertising fee in an amount equal to two percent (2%) of the Hammer & Nails® Franchise's Gross Sales for the immediately preceding period (which shall be either the period from the 1st day to 15th day of the month or the period from the 16th day of the month through the end of the month, as applicable). You must pay the advertising fee via electronic funds transfer, or any other means we reasonably specify. The advertising fee will be due on the 1st day and the 16th day of each month during the term of this Agreement. If the date on which an advertising payment would otherwise be due is not a Business Day, then payment shall be due on the next Business Day.-

E. Site Evaluation Fee. Upon signing this Agreement, you agree to pay us a Site Evaluation Fee of \$1,500. This amount is payable in one lump sum payment, is considered fully earned and non-refundable upon receipt. The Site Evaluation Fee is to cover our cost in assisting you with evaluating potential sites for your H&N Shop. A separate Site Evaluation Fee is due for each H&N Shop you open.

F. Other Fees and Payments. In addition to the initial franchise fee and periodic royalty payments, you must pay when due all other fees or amounts described in this Agreement and in any other agreement between you and us or our Affiliates.

G. Cross-Shop Purchases. If a member who originated at your Shop redeems their membership credits at another H&N Shop you will retain 15% of the value of those membership credits and pay, through automatic debit on a weekly basis, 85% of the value of those membership credits to the H&N Shop that performed the services for your member.

H. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by us on or before the applicable due date will be deemed past due. All past due obligations under this Agreement will bear interest from the date due until paid at the lesser of eighteen percent (18%) per annum, or the maximum rate allowed by applicable law. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party making the payment. You also agree to pay us a late payment fee equal to \$100 for each delinquent payment under this Agreement.

(2) Our acceptance of any payments delivered subsequent to the applicable due date shall not be deemed to be a waiver by us of any preceding breach by you or your Owners of any terms, provisions, covenants or conditions of this Agreement.

(3) We have the right to apply any payment we receive from you to any amounts you owe us or our Affiliates under this Agreement or any other agreement, even if you have designated the payment for another purpose or account. We may accept any check or payment in any amount from you without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be considered as an accord or satisfaction.

(4) You have no right to withhold any payments due to us on account of our breach or alleged breach of this Agreement, and no right to offset any amount due to us against any obligation that we may owe to you.

(5) Each payment to be made to us shall be made free and clear and without deduction for any Taxes.

I. ~~H. Electronic Funds Transfer~~. You agree to execute Exhibit E to this Agreement and all other documents necessary to permit us to withdraw funds from your designated bank account by electronic funds transfer (“EFT”) in the amount of the royalty fee, the Advertising Fund contribution (described in Section IX.C.), and any other amounts due under this Agreement at the time such amounts become due and payable under the terms of this Agreement. Any fee calculated by reference to Gross Sales will be based on the information we obtain pursuant to Section XII.C. of this Agreement or the Gross Sales Report. If we have not received a Gross Sales Report within the time period required by this Agreement, then we may process an EFT for the applicable royalty period based on the most recent Gross Sales Report provided to us by you; provided, that if a Gross Sales Report for the applicable royalty period is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then we will be entitled to withdraw additional funds through EFT from your designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then we will credit the excess amount to the payment of your future obligations. Should your bank fail to honor any EFT for any reason, you agree that you will be responsible for promptly delivering such payment directly to us and reimbursing us for any service charge or other costs or expenses we incur. If any payments are not received when due, interest may be charged in accordance with Section V.F. Upon written notice to you, we may designate another method of payment.

VI. OUR OBLIGATIONS

We agree to provide (or have our designee provide) the following services or cause them to be provided to you:

A. Manuals. Access to or the loan of one (1) set of the Manuals (in electronic format only), which we may amend from time to time upon written notice to you.

B. Training. An initial training program for your Principal Owner and General Manager (and Assistant Managers, if applicable), and additional training programs in accordance with Section VIII.A. Upon your reasonable request or if we determine it to be necessary during the term of this Agreement, on-site remedial training; provided, that remedial training will be conducted subject to the availability of our personnel, and provided further, that we may require you to pay the per diem fee we are then charging for on-site remedial training, and pay or reimburse us for the expenses incurred by our representatives, including the costs of travel, lodging, and meals.

In addition to the initial training program mentioned above, within two (2) weeks of your Location franchise opening for business, we (or our designee) will train your staff on various manicure, pedicure, foot treatment, haircut, and shaving techniques while at your location.

C. Opening Assistance. Such on-site pre-opening and opening assistance as we reasonably deem necessary. In connection with the opening of your Hammer & Nails® Franchise, one of our representatives shall provide you with up to 12 days (but no less than 5 days, unless you agree otherwise) of on-site assistance at your Hammer & Nails® Franchise both prior to and after the Opening Date, as we reasonably deem necessary.

D. Software Programs. For a reasonable fee, any Software Programs that we acquire or develop for use in the System; provided, that we are under no obligation to develop or acquire such Software Programs.

E. Inspections. Inspections of the Hammer & Nails® Franchise and evaluations of the products sold and services offered and sold at and from the Hammer & Nails® Franchise from time to time as reasonably determined by us.

F. Advertising. Administration of an Advertising Fund in accordance with Article IX. We may also provide to you, at a reasonable cost, any advertising and promotional materials we may develop from time to time for use in marketing and promoting Hammer & Nails® Franchises.

G. Operational Advice. Advice and written materials concerning techniques for managing and operating Hammer & Nails® Franchises, including new developments and improvements in the System.

H. Collateral Merchandise; Equipment; Décor Items. From time to time in our discretion and at a reasonable cost, certain merchandise identifying the System, such as clothing other System memorabilia, in sufficient amounts to meet customer demand, and/or certain equipment, décor items or other products and services.

I. Approved Suppliers. From time to time as we deem appropriate a list of approved or designated suppliers of products, signs, equipment, materials, supplies, and services you must use to develop and operate your Hammer & Nails® Franchise.

J. Area Representative. You understand that if we have an Area Representative franchisee over your Territory, that we may delegate some of our obligations under this Agreement to the Area Representative, including but not limited to, evaluation of your site, training, and pre- and post- opening support.

VII. YOUR REPRESENTATIONS, WARRANTIES AND COVENANTS

A. Your Investigation of this Franchise.

~~(1) — You acknowledge having received our franchise disclosure document (a) at least fourteen (14) days before signing a binding agreement or making any payment to us, or (b) if applicable, by the time required by your state's law as specified in the Disclosure Questionnaire attached hereto as Exhibit F. You acknowledge that this Agreement contains no changes from the form of franchise agreement attached to our franchise disclosure document other than changes made with your knowledge and pursuant to negotiations between you and us. You further acknowledge that you have read this Agreement and our franchise disclosure document and that you understand the terms of this Agreement and accept them as being reasonably necessary for us to maintain the uniformity of Hammer & Nails® Franchises and to protect the goodwill of the Marks and the integrity of the System.~~

~~(2) — You have conducted an independent investigation of the business contemplated by this Agreement and recognize that an investment in a Hammer & Nails® Franchise involves business risks; that your success is largely dependent on your own abilities and efforts; and that the nature of Hammer & Nails® Franchises may change over time. You have not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits or success of the business contemplated by this Agreement.~~

(1) ~~(3)~~ You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement.

(2) ~~(4)~~ Whenever we have expressly reserved in this Agreement, or are deemed to have, a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, then except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in

(5) We may, in our discretion and business judgment, use the Fund to directly or indirectly place advertising in your local or regional market; however, we also intend to use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market. Any amounts that you spend to place or implement advertising created by the Fund in your local or regional market will be credited towards your local advertising obligations under Section IX.A. above.

D. Promotional Programs. We may, from time to time in our sole discretion, develop and administer advertising and sales promotion programs designed to promote all Hammer & Nails® Franchises. We will be responsible for the design and administration of such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies. If we do establish these programs, you agree to participate in them in accordance with the terms and conditions we establish. The standards and specifications we establish for such programs, shall be final and binding upon you.

E. Advertising Standards. You agree that any advertising, promotion and marketing you conduct, whether required by this Agreement or voluntarily undertaken by you, will be completely clear and factual and not misleading and will conform to the policies that we prescribe from time to time. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least twenty (20) days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within fifteen (15) days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn in our sole discretion at any time.

F. Grand Opening Program. You agree to conduct a grand opening advertising and promotional program for the shop and to spend \$15,000 to \$20,000. The grand opening program must be conducted during the period that is 30 days before and 30 days following the opening of your shop to the public (or such other period as may be prescribed by us in the Manuals). Such advertising and promotion will utilize the marketing and public relations programs and media and advertising materials we have developed or approved, including, without limitation, a variety of meetings with potential members and participation in local events to promote your shop.

G. Business Listings. You agree to place and pay the cost of a business listing acceptable to us, which may, at our discretion, be an internet business listing, in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. This cost is in addition to your required local advertising expenditures.

be assigned or transferred; and (iii) a leasehold interest in (or unencumbered title to) the Franchise Location and improvements. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. As a condition of our purchase of the Hammer & Nails® Franchise, you and your Owners further agree to execute general releases, in form satisfactory to us, of any and all claims against us and our subsidiaries, shareholders, officers, directors, employees, agents, successors and assigns.

(6) We may assign our options under this Section XIX.B. to any person or entity without your consent.

XX. MISCELLANEOUS

A. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

X. Further Assurances. You and we agree to promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

Y. Agreement Effective Upon Execution by Us. This Agreement shall not become effective until signed by one of our authorized representatives.

Z. Entire Agreement. This Agreement, and the exhibits hereto, which are incorporated herein by reference, constitute the entire, full and complete Agreement between the parties hereto concerning the subject matter hereof, and they supersede any and all prior negotiations, understandings, representations and agreements; **provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the franchise disclosure document that we furnished to you. You acknowledge and agree that no other representations by us or any third party have induced you to execute this Agreement.**

XXI. FRANCHISEE'S ACKNOWLEDGEMENTS

~~A. — Independent Investigation. Franchisee acknowledges that it has conducted a thorough, independent investigation of the business contemplated by this Agreement and recognizes that the success of this business involves substantial risks and will largely depend upon the ability and efforts of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.~~

~~B. — Consultation With Advisors. Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.~~

A. ~~C. Development of the System~~. Franchisee acknowledges and agrees that some aspects of Franchisor's franchise program and the System are currently under development and that Franchisor expects that there will be some significant variations in the System in different markets which may exist for an initial or transitional period, or on a permanent basis. Franchisee acknowledges and agrees that no variations from the System or Manuals are permitted without Franchisor's prior written consent and that over time during the term of this Agreement Franchisor and its affiliates will continue to develop and refine various aspects of the System and that as new products, operating procedures, trade dress and other refinements are introduced, Franchisor may, in its sole discretion, cease to allow some or all variations from the System and Manuals and may require local, regional or national uniformity among Hammer & Nails® Franchises with regard to aspects of the System and Manuals for which Franchisor previously permitted variations.

B. ~~D. Franchisor's Obligations~~. Franchisee expressly understands and acknowledges that it is relying solely on Franchisor, and not on any affiliated entities or parent companies related to Franchisor, with regard to Franchisor's financial and other obligations under this Agreement, ~~and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.~~

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EXHIBIT F TO THE FRANCHISE AGREEMENT

**(California franchisees should not complete this Disclosure Statement.
This Disclosure Statement does not apply in California)**

DISCLOSURE STATEMENT

Franchisee Name: _____
Permanent Address (**If an individual**) _____
(Physical address only, no P.O. boxes): _____

State of Organization:
(**If a corporation, LLC or partnership**):

Address of Franchisee's _____
Principal Place of Business: _____

As you know, The Hammer & Nails Salon Group, LLC (the "Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Hammer & Nails® franchise (the "Franchise"). It is imperative that no unauthorized statements or representations have been made and that applicable laws have been complied with in selling you this license.

CERTIFICATION OF FRANCHISOR'S COMPLIANCE

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands all the information in Hammer & Nails Disclosure Document.
- (2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee's skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee's control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace.
- (3) That no person acting on behalf of Hammer & Nails Salon Group LLC made any statement or promise regarding the costs involved in operating a Hammer & Nails franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (4) That no person acting on Hammer & Nails behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in the Disclosure Document.
- (5) That no person acting on Hammer & Nails Salon Group LLC's behalf made any statement or promise regarding the actual, average or projected profits or earnings, the

CALIFORNIA

In recognition of the requirements of the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, the Franchise Agreement, for franchises in the State of California, is amended to include the following:

1. Sections IV(B)(7), XV(B)(3) and XIX(B)(5) of the Franchise Agreement are amended by adding the following at the end of these sections:

“This release will not apply to claims as you may have under the California Franchise Investment Law and the California Franchise Relations Act.”

- ~~2. The Franchise Agreement is governed by California law. This requirement may be unenforceable under California law.~~
2. ~~3.~~ The Franchise Agreement contains a covenant not to compete which extends beyond the termination or transfer of the franchise. This provision may not be enforceable under California law.
- ~~4. The Franchise Agreement currently requires that any litigation be conducted in California. This provision may not be enforceable under California law.~~
3. ~~5.~~ The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act.
- ~~6. The State of California requires the following disclosure pursuant to Rule 310.114.1(e)(6): “Item 19: The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your (franchised business). Franchisees or former franchisees, listed in the offering circular, may be one source of this information.”~~
4. The franchise agreement contains provisions shortening the statute of limitations to bring claims and requiring you to waive your right to punitive or exemplary damages against the franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

IN WITNESS WHEREOF, the undersigned have entered into this Addendum as witnessed by their signatures below.

FRANCHISOR:

THE HAMMER & NAILS SALON GROUP, LLC,
a California limited liability company

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

ILLINOIS

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Illinois:

1. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

2. Illinois law governs the franchise agreements.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. The Barber, Cosmetology, Esthetics, Hair Braiding, and Nail Technology Act of 1985 can be found in Illinois law at 225 ILCS 410/(Vest 2014).

5. Your rights upon Termination or Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. ~~6.~~ Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

~~7~~8. For info about obtaining a liquor license in Illinois, see:

<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

STATE-SPECIFIC DISCLOSURES

INFORMATION APPLICABLE TO VARIOUS STATES

A. Item 2 of the Disclosure Document is amended to include the following persons who act as Area Representatives for Hammer & Nails in various states:

Charles Lanman – Area Representative (CA)

Mr. Lanman has been an Area Representative for Hammer & Nails® since January 2023. [From March 1, 2018 to the present Mr. Lanman has been a shareholder/owner of Eco Pest Solutions, Inc. in Sacramento, California](#)

Joshua Harris Marr – Area Representative (CA)

Mr. Marr has been an Area Representative for the Hammer & Nails® since February 2017. From April 2011 to the present, Mr. Marr has served as the Vice President for California Bank and Trust located in Los Angeles, California.

Tiffany Marr – Area Representative (CA)

Ms. Marr has been an Area Representative for the Hammer & Nails® located in Fontana, California since February 2017. From December 2008 to the present, Ms. Marr has served as the CEO for Ascension Ventures, Inc. located in Fontana, California.

Mathew Fink - Area Representative (CA, CO, IA, IL, KS, MN, NE, OK, OR, UT and WA)

Mr. Fink has been an Area Representative with Hammer & Nails since August 2018. He has been the CEO of Comfort Keepers in San Diego, CA since May 2001. In addition, he has been an Area Representative for TFL Franchise Systems since December 2015.

Troy McLain - Area Representative (CA, CO, IA, IL, KS, MN, NE, OK, OR, UT and WA)

Mr. McLain has been an Area Representative for Hammer & Nails® since August 2018. Mr. McLain has been the President of McLain Services, LLC in Scottsdale, AZ since October 2010.

Rick Sanders – Area Representative (Western FL)

Mr. Sanders has been an Area Representative for Hammer & Nails® since November 2020. From July 2013 to February 2020, Mr. Sanders was Executive Vice President and Chief Financial Officers for Decisive Communications in Jamesville, MD.

Diaz Dixon – Area Representative (ID & NV)

Mr. Dixon has been an Area Representative for Hammer & Nails since August 2022. Diaz also owns and operates the South Reno Hammer & Nails location.

CALIFORNIA

[The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.](#)

In recognition of the requirements of the California Franchise Investment Law, California Corporations Code §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, the Disclosure Document for The Hammer & Nails Salon Group, LLC in connection with the offer and sale of franchises for use in the State of California is amended to including the following:

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with this disclosure document.
2. Neither the franchisor nor any person included in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provides rights to franchisees concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement attached to this disclosure document contains a provision that is inconsistent with the law, the law will control.
4. Item 6 of this disclosure document is amended to include the following statement: The Franchise Agreement attached to this disclosure document provides for interest to be paid (at a rate equal to the lesser of 18% per year or the maximum lawful rate) on any past due amounts owed to the franchisor. The maximum lawful rate of interest under California law is 10% per annum.
5. The Franchise Agreement attached to this disclosure document provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
6. The Franchise Agreement attached to this disclosure document contains a covenant not to compete which extends beyond the termination or transfer of the Franchise Agreement. This provision may not be enforceable under California law.
7. The Franchise Agreement attached to this disclosure document contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

~~8. The Franchise Agreement attached to this disclosure document does not require disputes to be settled through binding arbitration.~~

~~9. The Franchise Agreement attached to this disclosure document requires disputes to be settled in California under California law. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.~~

~~10. The Franchise Agreement attached to this disclosure document requires application of the laws of California. This provision may not be enforceable under California law.~~

8. ~~11.~~ Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

9. ~~12.~~—You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

10. ~~13.~~—The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act.

11. ~~14.~~—Regarding our websites www.hammerandnailsfranchising.com, www.hammerandnailsfranchise.com and www.hammerandnailsgrooming.com please note the following:

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

12. ~~15.~~—The State of California requires the following disclosure pursuant to Rule 310.114.1(c)(6): “Item 19: The ~~earnings-claims figure(s) does~~ (~~financial performance representations do~~) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your (franchised business). Franchisees or former franchisees, listed in the ~~offering circular~~ [Franchise Disclosure Document](#), may be one source of this information.”

13. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

A. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISE.

1. Unless exempt, the registration or filing of this disclosure document is pending in the States indicated on the State Effective Dates page to this disclosure document.
2. No states have refused, by order or otherwise, to register these franchises.
3. No states have revoked or suspended the right to offer these franchises.
4. The proposed registration of these franchises has not been withdrawn in any state.

B. Any provision of the Franchise Agreement that would require you, at the time you enter into the Agreement, to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by Hawaii Franchise Investment Law is void to the extent that the provision violates this law.

RISK FACTOR REQUIRED BY THE STATE OF HAWAII:

THE AUDITED FINANCIAL STATEMENTS REFLECT THAT THE COMPANY HAS NEGATIVE EQUITY OF \$ 2,290,488..

Additional Disclosure Required by State of Hawaii:

A review of the applicant's audited financial statements indicate that the Franchisor's liabilities exceed its assets. The State of Hawaii Business Registration Division requires that the Franchisor defer the Initial Franchise Fee until its obligations to the Franchisee are met and the business is open.

ILLINOIS

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The Barber, Cosmetology, Esthetics, Hair Braiding, and Nail Technology Act of 1985 can be found in Illinois law at 225 ILCS 410/ (West 2014).

Your rights upon Termination or Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of Virginia:

1. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement and the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. The disclosure documents is amended to include the following risk factor for the State of Virginia:

“Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from ~~\$248,200~~424,205 to ~~\$526,950~~686,200. This amount exceeds the franchisor's stockholders' negative equity as of December 31, ~~2020~~2022, which is ~~\$2,364,399~~2,600,110.”

3. The Virginia State Corporation Commission Division of Securities and Retail Franchising require us to defer payment of the initial franchise fee and other initial payments owned by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement.

WASHINGTON

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of Washington:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party

EXHIBIT H

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	Not Registered <u>Pending</u>
Hawaii	May 9, 2022 <u>Not Registered</u>
Illinois	August 8, 2022 As amended <u>April 24, 2023</u>
Indiana	Separate FDD <u>Pending</u>
Maryland	June 3, 2022 <u>Pending</u>
Michigan	June 3, 2022 <u>2023</u>
Minnesota	June 21, 2022 <u>Pending</u>
New York	Not Registered <u>Pending</u>
North Dakota	February 19, 2022 <u>Not Registered</u>
Rhode Island	Not Registered <u>May 19, 2023</u>
South Dakota	April 27, 2022 <u>Not Registered</u>
Virginia	September 13, 2022 <u>Pending</u>
Washington	April 27, 2022 <u>Pending</u>
Wisconsin	Not Registered <u>April 24, 2023</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.