

FRANCHISE DISCLOSURE DOCUMENT (Unit Franchise and Multi-Unit Development)



LAB Holding Company, LLC
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The franchises offered are for the establishment and operation of L.A. Bikini Studios. L.A. Bikini Studios offer body and facial hair removal, for both women and men. L.A. Bikini Studios feature proprietary techniques and sugaring (not wax) products and other items that are available from L.A. Bikini, its affiliates, or designated suppliers. L.A. Bikini Studios offer only sugaring services.

The total investment necessary to begin operation of a single L.A. Bikini Studio ranges from ~~\$279,760~~295,750 to ~~\$393,250~~431,000. This amount includes \$35,000 that must be paid to the franchisor or an affiliate.

If you sign a Multi-Unit Development Agreement, then you will incur these expenses for every L.A. Bikini Studio you agree to open, except your Initial Franchise Fee that must be paid at the time of signing the Multi-Unit Development Agreement will be reduced to \$25,000 for your second, ~~third, and fourth Studio in addition to your first, and will be reduced to \$20,000 for your fifth~~ Studio and any number of Studios greater than five~~two~~ that you agree to develop. If, for example, you sign a Multi-Unit Development Agreement to open a total of two Studios, then the total investment necessary to begin operation of the first Studio ranges from ~~\$304,760~~320,750 to ~~\$418,250~~443,250. This amount includes \$60,000 that must be paid to the franchisor or an affiliate. If, for example, you sign a Multi-Unit Development Agreement to open a total of five Studios, then the total investment necessary to begin operation of the first Studio ranges from ~~\$374,760~~420,750 to ~~\$488,250~~543,250. This amount includes ~~\$130,000~~135,000 that must be paid to the franchisor or an affiliate. We do not charge a Development Fee.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact us at LAB Holding Company, LLC, 4441 Creekside Avenue, Suite 129, Hoover, Alabama 35244, Tel: 205-369-3895, clay@mylabikini.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant. Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise" which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional

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

Issuance

Date:

April

~~19~~18,

~~2021~~2022

STATE COVER PAGES

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
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, like current and former franchisees. You can find their names and contact information in Item 20.
How much will I need to invest?	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 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise 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 L.A. BIKINI business in my area?	Item 12 and the “territory” provisions 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’s it like to be a L.A. BIKINI franchisee?	Item 20 lists current and former franchisees. You can contact them to ask 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 document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. Out-of-State Dispute Resolution. The franchise agreement and multi-unit development agreement require you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in the State of Alabama. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Alabama than in your own state.

~~**2. Governing Law.** The franchise agreement and multi-unit development agreement state that Alabama law governs the agreement, and this law may not provide the same protections and benefits as local law. You may want to compare these laws.~~

32. Franchisor's Financial Condition. The franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.

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

MICHIGAN STATE-SPECIFIC DISCLOSURE

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

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

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

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

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

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

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

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

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

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

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of the Attorney General:

Michigan Department of the Attorney General
Consumer Protection Division – Franchise Section
G. Mennen Williams Building
525 W. Ottawa Street
P.O. Box 30212
Lansing, MI 48909
Phone: 517-335-7622

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EXHIBITS

- A. List of State Franchise Administrators
- B. List of Agents for Service of Process
- C. Franchise Agreement and Exhibits
- D. Multi-Unit Development Agreement and Exhibits
- E. Form of General Release
- F. Financial Statements
- G. Operations Manual Table of Contents
- H. List of Current Franchisees and Area Developers
- I. List of Former Franchisees and Area Developers
- J. State-Specific Addenda
- K. State Effective Dates
- L. Receipts

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.

The franchisor is LAB Holding Company, LLC (“LAB,” the “Franchisor,” “We,” “Us” or “Our”). “You” means the individual, corporation, or other entity that buys an L.A. Bikini franchise. If the franchise will operate through a corporation or partnership, “You” also includes the franchisee’s owners or partners. LAB is a Delaware limited liability company that was formed on April 15, 2015. LAB’s principal business address is 4441 Creekside Avenue, Suite 129, Hoover, Alabama ~~35444~~[35244](#), and its telephone number is 205-~~259~~[369](#)-~~1651~~[3895](#). LAB’s agent for service of process in the states whose franchise laws require us to name a state agency as agent for service, is disclosed in Exhibit B to this disclosure document. We franchise L.A. Bikini Studios (an “L.A. Bikini Studio” or a “Studio”). L.A. Bikini Studios offer to both women and men body and facial hair removal services using certain sugaring (not wax) products (“Products”) and other items that you will purchase only from LAB, its approved suppliers, or affiliates. L.A. Bikini Studios offer only sugaring services. LAB began offering single-unit franchises of the type described in this disclosure document in April 2015. In 2019, we also began offering the multi-unit offering described in this disclosure document. We also grant area representative rights to purchase a defined geographic area and become a development services representative for the L.A. Bikini brand. We offer those rights pursuant to a separate disclosure document, and have offered those area representative rights since March 2017. We have to approve each location, and each location must meet our design standards.

Parents, Predecessors, and Affiliates

We are affiliated with the following companies:

Waxmatters, LLC is an Alabama limited liability company formed on June 17, 2011. Since April 2014 it has operated a Studio of the type being franchised under this disclosure document at 2800 Cahaba Village Plaza, Birmingham, AL ~~35244~~[35243](#). It operates pursuant to a verbal agreement with us. It does not currently pay any fees to us. Prior to operating a Studio of the type being franchised under this disclosure document, Waxmatters, LLC operated a business called “Pure Wax & Tan” from its location. Waxmatters, LLC does not now, nor has it ever, offered franchises for sale.

LAB Hoover, LLC is an Alabama limited liability company formed on March 17, 2014. Since September 2014 it has operated a Studio of the type being franchised under this disclosure document at 4441 Creekside Avenue, Suite 129, Hoover, Alabama ~~35422~~[35244](#). It operates pursuant to a verbal agreement with us. It does not currently pay any fees to us. LAB Hoover, LLC does not now, nor has it ever, offered franchises for sale.

LAB does not have any parents or predecessors. LAB has not previously operated a Studio, but it may do so in the future. Although there are no predecessors, Clay Haley, LAB’s Chief Executive Officer, is the sole member of LAB Hoover, LLC and of Waxmatters, LLC, the companies referenced above.

LAB has not sold franchises for any other type of business. As described below, in 2017 LAB has begun offering area representative franchises, which offer qualified parties the rights to

purchase a defined geographic area and become an area representative for the L.A. Bikini brand within the ARA Territory.

The Franchise

We franchise L.A. BIKINI® Studios (an “L.A. BIKINI Studio” or a “Studio”). L.A. BIKINI Studios offer body and facial hair removal, for both women and men. L.A. Bikini Studios feature proprietary techniques and sugaring (not wax) products and other consumable items generally used in the L.A. BIKINI Studios that are available from LAB, its affiliates, or designated suppliers. L.A. Bikini Studios offer only sugaring services. L.A. BIKINI Studios operate under the service mark and trade name L.A. BIKINI and other associated logos, designs, artwork, trade dress, and commercial symbols (our “Marks”) and under distinctive business formats, methods, procedures, designs, layouts, equipment, trade dress, standards, and specifications, all of which we may improve, further develop, or otherwise modify from time to time (collectively, with the Marks, the “System”).

We currently grant single-unit franchises for L.A. BIKINI Studios under the terms outlined in the Franchise Agreement attached to this disclosure document as Exhibit C. We offer Studios with a minimum of 5 and a maximum of 6 treatment rooms. In some situations we may allow Studios with a smaller or greater number of treatment rooms in our sole and absolute discretion. The approval of the number of treatment rooms depends on the site selection process and the market demographics of the designated Protected Area. A typical L.A. BIKINI Studio occupies approximately 1,500 to 1,700 square feet of space that may be either owned or leased from a third party. Studios are typically located in shopping centers/strip malls and stand-alone locations in a metropolitan area or surrounding suburbs, and with proximity to high traffic areas.

Multi-Unit Development Agreement

We may, in our sole and absolute discretion, offer you the right to open at least 2 L.A. BIKINI Studios within a designated area (the “Development Area”) under the terms outlined in the Multi-Unit Development Agreement attached to this disclosure document as Exhibit D. The number of Studios will be determined by us, within the Development Area established by us. You must sign a unit Franchise Agreement for each Studio opened under the Multi-Unit Development Agreement. The unit Franchise Agreement you will sign when you agree to open each franchised Studio will be the then-current Franchise Agreement at the time you agree to open each Studio. That Franchise Agreement may differ from the current Franchise Agreement included with this Disclosure Document. If you sign a Multi-Unit Development Agreement, you will be responsible for developing the number of Studios set forth in the Multi-Unit Development Agreement. We will determine the size of the Development Area, the number of Studios, and the timeline by which each Studio must be open for business (the “Development Schedule”). Each Studio location must be approved by us and be compliant with our System Standards. You must continue to meet our then current System Standards for the grant of a new unit franchise, including, without limitation, continuing to demonstrate that you are sufficiently capitalized and have sufficient financial resources to open and operate the Studios, or our approval of your development or opening of scheduled Studios may be withheld.

Market Conditions

The market for the services offered through the Studio will consist primarily of individual consumers, typically women and men between the ages of 15 and 65. The industry in which you will compete is highly competitive, with constantly changing market conditions. It is characterized by a significant number of operators, including well-financed and highly sophisticated national, regional and local businesses that have significantly greater capital than LAB.

Competition

You will compete with hair salons, spas, other hair removal facilities, as well as through products sold by third parties directly to the consumer. We do not refer clients to you. The market for hair removal services and salon services in general is highly competitive and well established. You will compete with other firms that offer non-medical beauty, hair removal, and skin care products and services, and certain spa facilities, including those that may be franchised by other national franchise companies. You will compete with these competitors for customers, access to desirable locations, and personnel. You also may encounter competition for sale of body and beauty care preparations and non-medicated skin care preparations from other salons as well as other general purpose operations (ranging from specialty beauty and health stores to department stores). Also, “sugaring” is a competitive hair removal technique to “waxing,” and uses sugar instead of wax to remove hair. You can expect to face substantial competition not only from hair salons, spas, medi-spas, and other hair removal facilities that use sugar for hair removal, but also from hair salons, spas, medi-spas, and other hair removal facilities that use wax and other techniques for hair removal.

Area Representative Agreement

Pursuant to a separate disclosure document, we also offer qualified parties (individuals or entities who have been approved to become Area Representatives) the rights to purchase a defined geographic area (the “ARA Territory”) and become an area representative for the L.A. Bikini brand within the ARA Territory. An Area Representative solicits and recruits third parties to enter into unit franchise agreements with us for the establishment and operation of L.A. Bikini Studios (the unit franchise opportunity offered by this Disclosure Document), and to provide support services to those franchisees entering into unit franchise agreements with us

As of the ~~effective~~issue date of this Disclosure Document, we have sold Area Representative rights to ~~two~~eight Area Representatives.

Regulation of Industry

Laws, rules and regulations that apply to all businesses generally will apply to your business. Your Studio may be subject to the laws and rules regulating cosmetology in the state in which your Studio will be located. In addition, you must comply with federal, state and local laws applicable to the operation and licensing of the L.A. Bikini Studio, including obtaining all licenses, permits and approvals by municipal, county or state agencies. Federal, state, and local

labor regulations, including minimum-age and minimum wage laws apply to your business. Local zoning rules may limit where you can locate a Studio and may affect design features. Federal, state and local environmental laws which affect the disposal of waste materials and the packaging you may use.

Many states and local jurisdictions have enacted specific laws and regulations that may apply to the operation of a hair removal business (or a salon in general), including those which: (a) regulate skin care and spa services; (b) regulate matters affecting the health, safety and welfare of your clients; and (c) provide for the licensing and certification of employees that work in a salon business. You should seek the advice of your attorney and investigate these laws and regulations (and others) more fully for the possible effects they may have on your Studio and the cost of compliance.

ITEM 2: BUSINESS EXPERIENCE.

Clay Haley, Chief Executive Officer.

Mr. Haley has held the position of Chief Executive Officer of LAB Holding Company, LLC since its formation in 2015. Since September 2014, Mr. Haley has held the position of owner, operator of LAB Hoover, LLC, our Affiliate that is the operator of a retail location licensee of the L.A. BIKINI mark since 2014. Since August 2012 Mr. Haley has been Co-Founder and Owner of Waxmatters, LLC which operated a retail location hair removal and tanning salon called Pure Wax & Tan from August 2012 to April 2014. In April 2014, Pure Wax & Tan re-branded under the L.A. BIKINI mark and system, and since that time has operated as a retail location licensee of the L.A. BIKINI mark. Beginning in January 2008, Mr. Haley operated a Massage Envy franchise, adding a second location in January 2010. He operated both of those franchised units until he sold the interest in both of those franchises in May 2016.

Lauren ~~Wiggins~~Robinson, Vice President of Franchise Training.

Since 2017, Ms. ~~Wiggins~~Robinson has been our Vice President of Franchise Training. From 2014 until she assumed that position, Ms. ~~Wiggins~~Robinson was director of sugarist training at the L.A. Bikini retail location operated by LAB Hoover, LLC and was the sugarist trainer for LAB since it began offering franchises in 2015. Ms. ~~Wiggins~~Robinson was the Clinic Administrator for a Massage Envy franchise from 2010 to 2016.

Jim Fitzsimmons, Area Representative Broker.

Since March 2019, Mr. Fitzsimmons has been an Area Representative Broker for us. From 2005 to present, he also has been a franchisee owner in the Massage Envy system, owning and operating seven locations in North Carolina - Charlotte (2), Gastonia, Greensboro, High Point, and Wilmington (2). From 2005 to 2017, he was a Regional Developer in the Massage Envy system, located in Charlotte, North Carolina.

ITEM 3: LITIGATION.

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

ITEM 4: BANKRUPTCY.

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

ITEM 5: INITIAL FEES.

Initial Franchise Fee

Except as described below in relation to multi-unit Area Developers, we charge a uniform Initial Franchise Fee of \$35,000 for each Studio. You must pay the Initial Franchise Fee in full when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned upon receipt and is not refundable once paid.

Multi-Unit Development Agreement

If you sign a Multi-Unit Development Agreement to develop at least 2 Studios, we will reduce the Initial Franchise Fee for each Studio after you open your first Studio. Currently, additional initial franchise fees under the Multi-Unit Development Agreement are \$25,000 per Studio for ~~your~~the second, ~~third, and fourth Studio and \$20,000 per Studio for the fifth~~ Studio and each Studio you agree to develop after your ~~first~~second Studio. We do not charge a Development Fee. When you sign your Multi-Unit Development Agreement, you must also sign the Franchise Agreement for the first Studio you have agreed to develop and pay to us \$35,000 plus the remaining Initial Franchise Fees due for all L.A. BIKINI Studios on your Development Schedule. You will sign a Franchise Agreement for each additional Studio you agree to open as provided in the Development Schedule.

The Initial Franchise Fees are fully earned upon receipt and are not refundable even if you do not develop all Studios on your Development Schedule.

ITEM 6: OTHER FEES

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Continuing Royalty Fee (Note)	6% of prior week's Gross Revenue (note 2)	Weekly, for the preceding week, on every Wednesday	
Brand Development Fee	1.0% of prior week's Gross	Weekly, for the preceding week,	See Item 11. We currently do not operate an Advertising Fund,

Type of Fee	Amount	Due Date	Remarks
	Revenue	on every Wednesday	but we collect this Brand Development Fee. At a later date, we may apply money collected for this fee toward an Advertising Fund.
Local Marketing/ Promotional Expenditure (Note 3)	For the first year of operation, each month you must spend the greater of 2.5% of previous quarter's average monthly Gross Revenues or \$2,000. After the first year, each month spend 2.5% of previous quarter's average monthly Gross Revenues	As incurred	See Note 3
Relocation Fee	\$5,000	Before closing of transaction for relocation	Payable when you request the right to relocate.
Renewal Fee	Twenty-five percent (25%) of the initial franchise fee that Franchisee paid to Franchisor upon execution of the Franchise Agreement	Upon renewal of Franchise Agreement	You will have the right to renew the Franchise Agreement before the expiration of the Initial Term for an unlimited number of additional successive terms of ten (10) years each, provided all the conditions set forth in Section 1.5 of the Franchise Agreement have been fulfilled.
Training For Sugarists (Note 4)	\$1,500 per training session, with up to 4	As incurred	See Note 4. Also, see Item 11 for more detail.

Type of Fee	Amount	Due Date	Remarks
	sugarists attending, plus expenses; for a quarterly video training refresher, \$50 per person per session		
Additional Training for Managers, Assistant Managers, Receptionists (Note 5)	Managers \$250/day per person Assistant Managers \$200/day per person Receptionists \$100/day per person	As incurred	In certain circumstances explained in Note 5, we may charge these fees. See Note 5.
Sugarist re-training	\$200/day per sugarist	As incurred	You will pay this fee to us for re-training of any of your sugarists if we determine, after an evaluation, that any of your sugarists must be retrained, or in the event that a sugarist ceases working for the Studio for more than thirty (30) consecutive days. We can change this fee any time and those fees are set forth in the Manual.
Mandatory continuing training sessions, refresher courses, programs, and/or meetings scheduled from time to time by Franchisor (Note 6)	Up to \$250 per person	As incurred	We may charge this fee for attendance at these training sessions. See Note 6.

Type of Fee	Amount	Due Date	Remarks
Product Purchases	Varies	As incurred	You must purchase certain products from us or our designee, including all Products used in your Studio. We may receive a rebate, commission, or other payment, or may make a profit on the sale of products to you.
Advertising and Promotion Preparation Assistance	\$200 per hour, plus expenses	As incurred	If you choose not to use advertising and promotional materials we provide, and if you require assistance in preparation of your materials, then we reserve the right to charge you for those services at a rate of \$200 per hour, plus expenses we incur.
Late Charges	18% per year or highest contract rate of interest allowed by law	As incurred	If we have to file suit to collect amounts due, we are entitled to recover our costs, including reasonable attorneys' fees, in addition to other remedies available under the law.
Returned ACH Fee	\$50	As incurred	Paid only if bank payment is refused for any pre-authorized draft.
Audit Fees	Actual Amount of Audit	As incurred	Paid if an audit or financial review of your Studio by a Certified Public Accountant or other professional reveals that you understated the Gross Revenues by 2% for any week, or by 5% for any calendar year, plus actual amount of fees due as a result of underreporting.
Damages, Costs and Attorneys' Fees	Actual amount of damages, attorneys' fees, costs and expenses incurred by us	As incurred	You must pay for our damages, expenses, costs and attorneys' fees if we are successful in enforcing any term of the Franchise Agreement, or any other rights that we may have as

Type of Fee	Amount	Due Date	Remarks
			a matter of law arising out of the franchise relationship.
Indemnification Fee	Actual amount of damages we suffer	As incurred	You indemnify us against any and all losses, costs, expenses (including attorneys' and experts' fees), court costs, claims, demands, damages, liabilities, however caused, from the operation of your Studio or from any proposed assignee of the franchise.
Management Fees	Actual expenses incurred by us, plus a management fee equal to the greater of (i) two times the salary paid to the individual(s) assigned by us to operate the Studio, or (ii) 10% of your Studio's weekly Gross Revenues	As incurred	Upon your disability or death, and until a fully trained and qualified Studio Manager assumes full-time operational control of the franchised Studio, we may, but are not obligated, to assume full control of and operate your Studio.
Franchise Transfer Fee (Note 7)	\$5,000, plus Franchisor's reasonable out-of-pocket expenses incurred in connection with the assignment	Upon transfer	See Note 7.
Point of sale system service enrollment and maintenance fee	\$200 <u>315</u> enrollment fee and, thereafter, \$125 <u>300</u> per month	Upon enrollment at least four weeks prior to commencement of operations, and monthly, on the first of every	These fees are subject to change and will be stated from time to time in the Operations Manual.

Type of Fee	Amount	Due Date	Remarks
		month	

Note 1 Unless this disclosure document specifically provides otherwise, all fees and costs payable to us are uniformly imposed and are non-refundable. See Item 8 of this disclosure document for information concerning your obligations to purchase products from us or our affiliates, or under our specifications or standards. Under Sections 9 and 10 of the Franchise Agreement, all Continuing Royalty Fees, Brand Development Fees, and other fees and costs required to be paid to us must be paid by automatic bank draft or other reasonable means necessary to ensure that the fees and costs are received on the day due. You agree to comply with our payment instructions, and to sign any and all documents and forms necessary to effectuate the automatic bank drafts. See Franchise Agreement, Section 9, 10 and Exhibit D to Exhibit C (Franchise Agreement) to this disclosure document.

Note 2 “Gross Revenues” means all revenues and income received by you on account of the operation of the franchised Studio, whether received in cash, in services, in kind, on credit (whether or not payment is received), or otherwise.

Note 3 For the first year of operation you must spend an amount each month equal to the greater of 2.5% of the Studio’s average monthly Gross Revenue during the preceding quarter each month, or \$2,000 each month, for local advertising and promotions which we have approved. After the first year of operation, you must spend an amount each month equal to 2.5% of the Studio’s average monthly Gross Revenue during the preceding quarter for local advertising and promotions which we have approved. If you do not spend the required amount on local advertising and promotion, then you must immediately remit to us the difference between the amount you actually spent on local advertising and promotion and the required amount you should have spent in accordance with Section 8.3 of the Franchise Agreement. You may be afforded the option to participate in a regional or local advertising cooperative. If an advertising cooperative is created, the participating franchisees’ Local Marketing fees (or 2.5% of previous quarter’s average monthly Gross Revenues) are directed to the cooperative’s fund.

Note 4 All sugarists not trained in the required Initial Training Program must successfully complete the training program we conduct. At no additional charge, we will provide two (2) sugarist training sessions per year during the term of the Franchise Agreement for up to ~~two~~three (23) sugarists. Those sessions will be conducted at your Studio. The Initial Training Program counts as one of those two (2) sessions. We will charge this additional training fee for additional training beyond that amount. If you request more than four (4) sugarists to attend the Initial Training Program, as provided for in Section 5.2 of the Franchise Agreement, then we will charge you this additional training fee for each additional sugarist you request. You must provide models for the training. If we reasonably conclude that any of your sugarists have failed to attend or successfully complete our Initial Training Program, then that person may re-

enroll in our next scheduled Initial Training Program at this additional charge. We can change this fee any time and those fees are set forth in the Manual.

- Note 5 If you request additional training for you and/or any Studio manager(s), or other staff, or if we reasonably conclude that you and/or your Studio Manager, assistant managers, or receptionists failed to successfully complete our Initial Training Program, we will charge you these additional training fees. We can change this fee any time and those fees are set forth in the Manual. You also will be responsible for payment of our reasonable travel, meals, and lodging expenses if we provide this additional training, as well as such expenses for you and your employees.
- Note 6 At your sole cost and expense, we may require you and your sugarists, managers and other staff to attend annually, up to four (4) training sessions, refresher courses, programs and/or other meetings that we schedule from time to time, at a location and date we choose. We may charge you a fee for each such session, course, program or meeting. This fee is subject to change at any time, but shall not exceed \$250 per person, per session, course, program and/or meeting, and is set forth in the Manual.
- Note 7 If you transfer your franchise rights to the Studio, your assignee will also be required to pay us the then current initial franchise fee we charge to new franchisees (if assignee is an existing franchisee of ours, 75% of the then current initial franchise fee we charge to new franchisees). Our reasonable out-of-pocket expenses include but are not limited to attorneys' fees. If your assignee is an immediate family member of the assignor, then we will waive the transfer fee.

ITEM 7: ESTIMATED INITIAL INVESTMENT.

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (for one Studio with up to 6 treatment rooms)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (note 1)	\$35,000	Lump sum	Upon execution of Franchise Agreement	Us
Real Estate (note 2)	\$4,800 - \$15,000	Lump sum or financed	Prior to opening	Your Landlord
Tenant Improvements/ Construction Costs (note 3)	\$150,000 <u>175,000</u> 0 - \$187,500 <u>248,000</u> 0	Lump sum or financed	Per your agreement with providers	Required architectural firm, General Contractor
Furniture, Fixtures,	\$24,160 <u>19,500</u>	Lump sum	As incurred	Approved and

Type of Expenditure	Amount (for one Studio with up to 6 treatment rooms)	Method of Payment	When Due	To Whom Payment is to be Made
Equipment (note 4)	– \$30,500 <u>25,000</u>	or financed	prior to opening	Required Suppliers, General Contractor
Signage, Lobby Mural, Posters & Window Graphics	\$9,100 <u>7,250</u> - \$15,250 <u>9,500</u>	Lump sum or financed	As incurred prior to opening	Approved and Required Suppliers
Training Opening Order and Opening Inventory (note 5)	\$6,000 - \$7,000	Vendor terms	Vendor terms	Approved and Required Suppliers
Miscellaneous Opening Costs (note 6)	\$600 - \$1,500	Lump sum	As incurred prior to opening	Third Parties
Licenses and Permits (note 7)	\$400 - \$1,000	Lump sum	As incurred prior to opening	Governmental Organizations, Licensed Professionals
<u>Architectural Fees</u>	<u>\$7,500 - \$8,500</u>	<u>Lump sum</u>	<u>As incurred prior to opening</u>	<u>Third Parties</u>
Insurance (note 8)	\$2,000 - \$4,000 <u>3,000</u>	Insurance company terms	Per insurance carrier	Insurance company
Grand Opening Advertising (note 9)	\$7,500, - \$10,000	Lump sum	As incurred prior to opening	Third Parties
Travel and Living Expense while in Training (note 10)	\$200 - \$2,500	As incurred	As incurred	Employees or Staff, Airlines, Rental car agencies, Restaurants, Hotels, etc.
Additional Funds for First 3 Months of Operations (note 11)	\$40,000 <u>30,000</u> - \$80,000 <u>65,000</u>	As incurred	As incurred	Us, Third Parties and Employees
TOTAL	\$279,760 <u>295,75</u>	N/A		N/A

Type of Expenditure	Amount (for one Studio with up to 6 treatment rooms)	Method of Payment	When Due	To Whom Payment is to be Made
ESTIMATED INITIAL INVESTMENT (notes 12, 13)	<u>0</u> - \$393,250 <u>431,000</u>			

Note 1 The Initial Franchise Fee is non-refundable. We do not offer financing for any part of the ~~initial~~initial investment.

Note 2 The Studio will usually occupy leased space, and will typically contain approximately ~~1,500 to 1,700~~1,400 to 1,600 square feet for a Studio with: at least 5 treatment rooms and up to 6 treatment rooms (although in some situations we may allow Studios that are larger or smaller in our sole and absolute discretion). Lease rates usually range from \$16 to \$40 per square foot, or more. This estimated range for Real Estate considers the costs of the first month's rent, a security deposit and advance rent (or, three (3) months of rental costs) that most landlords require their tenants to provide upon execution of the lease. We strongly suggest that you seek the advice of a real estate professional familiar with the market in which you will be located and the relevant laws.

Note 3 You must use one of our ~~recommended~~two approved architectural ~~firm, Rob Walker Architects, P.O. Box 149, Smithfield, NC 27577,~~firms in connection with the build-out of the Studio. This estimate assumes a construction cost of ~~\$100~~125-~~\$125~~155 per square foot for a Studio having at least 1,400 square feet and up to 1,600 square feet. It also assumes that you pay the entire cost of construction with no tenant improvement allowance or contribution by the landlord for construction and assumes the premises are delivered with four bare walls and ceiling, electric in place, gas in place, an HVAC system in place, and that non-union labor will be employed. Any variances from these assumptions could substantially increase your costs.

Note 4 This estimate includes estimated costs associated with furniture, furnishings, installations, equipment, trade fixtures, point-of-sale register system, office equipment, uniforms, computers, software, and certain items on the Studio premises. The amount of specific items will vary depending upon the location, size and condition of a particular Studio. You will be required to use a designated point-of-sale electronic cash register system and software, and install a designated telephone line. You also will need to have a broadband internet connection as well as any other necessary items for downloading information and credit card confirmation. See Item 11.

- Note 5 Depending on your Studio's location, this estimate may be higher due to shipping costs. We require that you purchase not only opening inventory, but also an inventory of supplies for initial training.
- Note 6 The telephone, gas, water and electric companies, security, and/or others supplying services to your Studio may require deposits. The deposits may be refunded to you at a later date. In addition, you will need a supply of basic office supplies, which is included in this total.
- Note 7 Incorporation and related fees include complying with fictitious, assumed, or trade name statutes of the state in which the Studio is located. The estimate varies from state to state depending on state law, the prevailing rate of attorneys' fees and the scope of legal services requested. Costs such as additional licenses and permits, professional fees for accountants and architects, miscellaneous supplies, and other items are also included in this estimate.
- Note 8 You are obligated under the Franchise Agreement to obtain and maintain occurrence based comprehensive general liability coverage, including bodily injury, property damage, advertising injury and personal injury of at least \$1,000,000 per occurrence, ~~\$3,000,000~~2,000,000 general aggregate and ~~\$1,000,000~~2,000,000 product liability aggregate, professional liability insurance of at least \$1,000,000 per occurrence, employment practices liability insurance of at least \$100,000 per occurrence, business interruption insurance, fire and extended coverage insurance, workers' compensation, and any other insurance required under the terms of the lease or in accordance with your state's laws for the Studio or business. The payment shown in this table is the expected payment for insurance premium paid to the insurance company. This payment will be due before you open your Studio. Insurance premiums usually are due annually, so you this payment will be due each year.
- Note 9 Grand opening and other advertising expenditures for market introduction may include, but are not limited to grand opening advertising and promotion, using only materials, media, special events, and public relations activities required or approved in advance by us.
- Note 10 You will incur all costs and expenses associated with the mandatory training program. These costs include transportation, lodging, compensation of employees and meals. Generally, these costs will vary as a function of the distance traveled, the lodging selected, the center used for training, the distance between the lodging and training center and the type of transportation selected. This estimate contemplates attendance of up to six (6) persons (the franchisee, the front desk clerk or manager, and up to four (4) sugarists). We often will conduct the training at your Studio location, and we expect that persons attending training will not incur lodging expenses (as they will be traveling from home to the Studio location), and will incur

meal and incidental expenses typical to those they would incur during a normal work week. If we conduct the training at our training facility in Alabama (or another destination or center location as designated by us), then your expenses will be on the higher end of the range. You must also maintain worker's compensation insurance coverage for trainees in your employment.

Note 11 This estimate of additional funds is an estimate of the minimum funds needed only for opening expenses and working capital to operate the Studio for a period of three (3) months after opening, and but does not include any allowance for an owner's draw. The actual amount of additional funds you will need depends on a variety of factors, including but not limited to your management skill, experience and business acumen, local economic conditions, the local market for Studio services, prevailing wage rate, and the sales level achieved during the initial period. ~~Additional working capital may be needed beyond the initial 3-month period.~~ In determining this estimate of initial funds, we used as a basis, and relied upon both the experience of our affiliates with respect to the additional funds used in the opening of the Studios they operate and the experience of our franchisees that have opened Studios. Factors we considered in determining this estimate of initial funds include a range of prevailing wage rates, our estimate of the number of employees, possible turnover of employees, and discretionary additional advertising and marketing expenses.

Note 12 The estimate of additional funds includes salaries and benefits for employees, but does not include any allowance for an owner's draw. ~~You may have to put additional cash into the business, but we cannot and will not estimate how much or promise when, or whether, any Studio, including yours, will ever achieve positive cash flow or profits. In addition, we recommend that you have sufficient additional funds available to cover your personal living expenses for a period no less than twelve months. The amount will vary substantially depending on your situation and you must determine your needs. These figures should be reviewed with an accountant and a business advisor before making a decision to purchase a franchise.~~

Note 13 If you sign a Multi-Unit Development Agreement you will incur these expenses for each Studio you agree to open, except your Initial Franchise Fee will be less for Studios after the first Studio, depending on the number of Studios you agree to open. If you sign a Multi-Unit Development Agreement, then at the time of signing the Multi-Unit Development Agreement, you pay up front the Initial Franchise Fees for each Studio you agree to open, with the first Studio fee at the full \$35,000 rate, and other Studios at a reduced rate. You pay, up front, the Initial Franchise Fee of \$35,000 for the first Studio you agree to open. Then, you pay an Initial Franchise Fee of \$25,000 per Studio for each of the second, ~~third, and fourth Studios; and \$20,000 per Studio for each of your fifth~~ Studio and all Studios

in addition to your ~~first~~second Studio. We do not charge a Development Fee.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.

Required Purchases

To help assure a uniform image and uniform quality of products and services in all L.A. Bikini Studios, we require you to purchase Products, as well as certain equipment, fixtures and other items from us or approved suppliers, or by brand name or specification. These products, vendors, and specifications are identified periodically in the Manual, or in notices from us. In addition to Products, your required purchases include, but are not limited to, the Studio's signage, artwork, marketing and promotional materials, uniforms, point of sale system and management system, software, hardware, furniture, shelving, sugaring tables, cabinets, gloves, wet wipes, and certain paper goods, as well as other items used in the providing of services or displaying information about the services and products. The "Products" are those consumable products generally used in the L.A. Bikini Studios, including, but not limited to, sugar product, sugar receptacles, and certain paper goods. We expressly reserve the right to revise the definition of "Products" at any time during the term of the Franchise Agreement.

Required and Approved Suppliers

You are required to purchase Products only from our approved supplier. Products must be purchased from Alexandria Professional, or its designee, which is the only approved supplier of those goods. One of the minority-interest holding members of LAB (who is not an officer of LAB) owns an interest in Alexandria Professional. However, Alexandria Professional is not controlled by, controlling, or under common control with us; therefore, it is not an affiliate of ours.

You are required to purchase and install the required computerized point of sale system and management system software as we direct (See Item 11). Our approved suppliers are the only source for your required purchase of our computerized point of sale system management system software.

In addition, we require you to use one of our ~~recommended~~two approved architecture ~~company, Rob Walker Architects,~~companies in connection with the build-out and construction of your Studio.

We also require you to purchase sugaring equipment, signage, artwork, Studio furniture, graphic package, computer hardware, and computer software from vendors we approve or designate.

Neither we nor any person affiliated with us is an approved supplier, or the only approved supplier, of any required Products or services.

Approval of Alternative Suppliers

Except for products you are required to purchase from us and products and services you are required to purchase from vendors we designate, you may purchase for use in your Studio products and services which meet our brand name or specification requirements from any supplier we approve, and/or in some instances, from a vendor of your choice.

We may approve other suppliers of required non-Products that are not then designated by us as an approved supplier. We make our criteria for approving suppliers available to franchisees.

If you want to use any services or products that we have not approved (for services and products that require supplier approval), then you must first send us sufficient information, specifications or samples for us to determine whether the service or product complies with our standards and specifications, or the supplier meets our Approved Supplier criteria. You will bear all reasonable expenses that we incur in connection with our evaluation of a product, service or supplier. We will decide within 10 days after receiving the required information whether you may purchase or lease this product or service or from this supplier. We apply the following general criteria in approving a proposed supplier: ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and consistency, reliability and general reputation of the supplier. We also apply those criteria in deciding to revoke approval of an approved supplier. We will notify you if we revoke our approval of any product, service or supplier, and you must immediately stop purchasing disapproved products or services or from a disapproved supplier.

Specifications for Our Products and Services

We communicate the specifications and standards for Products and services in the Manual (including through updates and other written communications). These specifications may include standards for appearance, quality, price, performance, and functionality. These specifications and standards are based on our and our affiliates' experience in operating Studios of the type we are franchising and through research and testing in our Studios.

We ~~communication~~communicate our standards and specifications to you when we evaluate your proposed location for the Studio, during your development of an approved location for the franchised center, during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchised center and through the Manual (including through updates and other written communications). We will periodically issue new standards and specifications (if any) through written notices.

Discounts

~~Franchisees do not currently receive discounts on products and/or services from our approved sources.~~

We negotiate purchase arrangements with certain suppliers, including price terms, which provide discounts on purchases for the benefit of franchisees.

Revenue from Franchisee Purchases

As of the date of this disclosure document we have not received any revenues from the sale of our required computerized point of sale system and management system to franchisees. As of the date of this disclosure document we have not received any revenues from the sale of services of our ~~recommended~~approved architecture ~~company, Rob Walker Architects,~~companies to franchisees.

~~We derive~~In the most recent fiscal year, we have not derived any revenue or other material consideration from required purchases by franchisees of uniforms from us. ~~Our total revenue in the most recent fiscal year was \$108,512. Our revenue from required purchases from us in the most recent fiscal year was \$17,123.~~ We derive revenue or other material consideration from required purchases by franchisees of Products only from our approved supplier. Our approved supplier of Products pays us a rebate equal to 30% of all purchases of Products by franchisees. The rebate we received from our approved supplier of Products totals ~~\$15,379.43~~\$3,277.98 in the most recent fiscal year. Approximately ~~30~~23% of our total revenues in the most recent fiscal year are from required purchases or leases. Our affiliates did not receive any revenues from purchases or leases we required.

As of the date of this disclosure document we have received no other revenues from franchisee's purchases of products from vendors, suppliers and contractors we designate or recommend based on purchases by franchisees. We expect that in the future we will receive rebates, discounts, or other remuneration from vendors, suppliers and contractors we designate or recommend based on purchases by franchisees.

Percentage of Your Costs Going Toward Required Purchases

We estimate that your cost to purchase and lease products and services from LAB and from vendors we designate will account for approximately 35% to 40% of your total cost to establish your Studio, and approximately 10% to 30% of your total cost to operate your Studio on an ongoing basis.

Purchase Arrangements with Suppliers

While we may, at our discretion, attempt to negotiate purchase arrangements with manufacturers and suppliers for the benefit of our franchisees and to secure lower pricing based on volume discounts, we have no obligation to do so, and any discounts or other purchasing arrangements we may in the future obtain are not guaranteed by us and may be terminated by the manufacturer/supplier at any time.

Purchasing and Distribution Cooperatives

There are no purchasing or distribution cooperatives in the L.A. Bikini system that offer you products and equipment used in your Studio.

Material Benefits From Use of Suppliers, Products, and Services

We do not provide material benefits (for example, renewal or granting additional franchises) to you based on whether you purchase through the sources we designate or approve. We may take action, however, including terminating your franchise, if you purchase unapproved products, fail to sell all L.A. BIKINI products, or make purchases from unapproved suppliers.

ITEM 9: FRANCHISEE’S OBLIGATIONS.

FRANCHISEE’S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Franchise Agreement (“FA”) Sections 1.2, 3.1 – 3.2	Items 1, 7, 11 and 12
b. Pre-opening purchases/leases	FA Sections 6.9 and 6.11	Items 5, 7 and 8
c. Site development and other pre-opening requirements	FA Sections 3.3, 4.1 – 4.5 and 6.1	Items 7, 8 and 11
d. Initial and ongoing training	FA Sections 5.2 - 5.4 and 6.16	Items 6 and 11
e. Opening	FA Section 6.1	Items 5 and 11
f. Fees	FA Sections 9.1 – 9.10	Items 5, 6 and 7
g. Compliance with standards and policies/ Operating Manual	Recitals, FA Sections 5.1, 5.6, 6.2 - 6.4, 6.10 and 6.14	Items 11 and 16
h. Trademarks and proprietary information	FA Sections 14.1 – 14.8	Items 13 and 14
i. Restrictions on products/services offered	FA Sections 5.6, 6.4, 6.8 and 6.10	Items 8, 11 and 16
j. Warranty and customer service requirements	FA Section 6.12	Item 16
k. Territorial development and sales quotas	Not applicable	Not applicable

l. Ongoing product/service purchases	FA Sections 5.6, 6.2, 6.8 and 6.10	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	FA Sections 6.3 and 13.4	Items 6 and 11
n. Insurance	FA Sections 7.1 – 7.4	Items 6 and 8
o. Advertising	FA Sections 8.1 – 8.5	Items 6, 7 and 11
p. Indemnification	FA Sections 13.4, 14.6 and 15.2	Item 6
q. Owner’s participation/ management / staffing	FA Sections 6.6 – 6.7	Items 9, 11 and 15
r. Records and reports	FA Sections 10.1 – 10.2, 6.11, 6.14 -- 6.15, and 6.20 – 6.21	Item 6
s. Inspections and audits	FA Sections 6.14 and 10.2	item 6
t. Transfer	FA Sections 13.1 – 13.7	Items 6 and 17
u. Renewal	FA Section 1.5	Items. 6 and 17
v. Post-termination	FA Section 17.1	Item 17
w. Non-competition covenants	FA Sections 12.1-- 12.4, and 13.4	Item 17
x. Dispute resolution	FA Sections 19.6 – 19.8	Item 17
y. Other - Guarantee of franchisee obligations	FA Section 6.15	Item 22
z. Other -Security interest	FA Section 22	Item 22

ITEM 10: FINANCING.

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

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

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

Pre-Opening Assistance

Before you open your Studio, we will:

- (1) Designate your Protected Area (Franchise Agreement, Section 1.2, See Exhibit C).
- (2) Approve or disapprove a site for your Studio Location within fifteen (15) business days after you have provided all the information we request to evaluate the site (Franchise Agreement Section 3.1). We approve an area in which you select a site (the "Site Selection Territory"). You select the site of your Studio Location within the Site Selection Territory, but we may help you and we must consent to the site. We consider a number of factors in approving a site for your Studio Location, which include the following: population density in the area of the proposed site; roadway access; traffic patterns; site visibility; area demographics; adequacy of parking; lease rates; competitors; tenant mix at the proposed location; suitability for a Studio, based on other business and retail operations in the specific area (for example, the same shopping center) and in the more general geographic area (for example, other shopping centers, retail clusters, or stand-alone storefronts in the general area); and overall suitability or desirability of the neighborhood for a premium personal care services studio of the type offered under the L.A. BIKINI brand. You must lease or acquire a location within ninety (90) days after the execution of the Franchise Agreement (Franchise Agreement, Sections 1.2 and 6.1). Your failure to obtain a Location for the Studio within this period of time will constitute a default under the Franchise Agreement and we may, at our option, terminate the Franchise Agreement without affording you the opportunity to cure the breach (Franchise Agreement, Sections 1.2 and 16.2). As the time of the effective date of this Disclosure Document, we do not generally own the premises on which our franchisees' Studios are located and we do not lease the premises to the franchisee. Presently, we do not intend to generally own the premises and to lease it to the franchisee, for you or for other franchisees.
- (3) Approve or disapprove the lease or purchase agreement for the Studio Location within fifteen (15) business days after we receive it. If we fail to communicate its approval or disapproval to you in that time, then the agreement is approved (Franchise Agreement, Section 3.2). You must deliver to us a copy of a proposed lease for an acceptable Studio Location within ~~forty-five~~ninety (45~~90~~) days after the execution of the Franchise Agreement (Franchise Agreement, Sections 3.2 and 6.1). Your failure to provide us with a copy of the proposed lease within this period of time will constitute a breach of the Franchise Agreement and we may, at our option, terminate the Franchise Agreement without affording you the opportunity to cure the breach (Franchise Agreement, Sections 3.2 and 16.2).
- (4) Furnish a sample layout for the interior of a typical L.A. Bikini Studio and a set of preliminary plans for furniture, fixtures, equipment and/or décor.

- (5) Either provide or approve or disapprove advertising, promotions, signs, posters and displays before installation or display. (Franchise Agreement, Section 8.1).
- (6) Lend you a copy of the Confidential Operating Manual (the “Manual”) during the Initial Training Program (described below) (Franchise Agreement, Section 5.1). You must strictly comply with the Manual in operating your Studio. We can change the Manual and you must comply with these changes when you receive them. The Table of Contents of the Manual as of the date of this disclosure document is attached to this document as Exhibit G. The total number of pages in the Manual is 42 pages.
- (7) Designate the opening inventory of products and services you must buy before opening the Studio. See Items 5, 7 and 8 (Franchise Agreement, Section 6.9).
- (8) Furnish you with written specifications for required products and services, including Products. (Franchise Agreement, Section 6.8).
- (9) Arrange for the sale to you of Products. See Items 6 and 8 (Franchise Agreement, Sections 5.6) We do not have to sell you Products or authorize the sale of Products to you by our approved supplier if you are in default of your Franchise Agreement. (Franchise Agreement, Section 5.6).
- (10) We provide limited assistance with providing equipment, signs, fixtures, opening inventory, and Products (supplies). We do not provide the assistance directly to you, but we provide a list of approved suppliers. We provide written specifications for the equipment, signs, fixtures, opening inventory, and Products you will use in your Studio. We do not deliver or install any of those items, and you are responsible for arranging for delivery of those items to your Studio and installation of equipment, signs, and fixtures at your Studio.
- (11) We do not provide assistance with conforming your Studio premises to local ordinances and building codes, or obtaining any required permits. While we require that you use our recommended architectural firm for the design of your Studio, who will use interior and exterior designs approved by us for your Studio, we do not provide other assistance with constructing, remodeling, or decorating your Studio premises.
- (12) We do not provide assistance to you in the hiring of your employees. However, we do provide assistance to you in the training of your employees. We will make an initial training program available to you and up to six (6) of your employees, including up to four (4) of your sugarists (the “Initial Training Program”). The Initial Training Program is included within the cost of the Initial Franchise Fee. We currently conduct the initial training program, on an as-needed basis, depending on the number of new franchisees that we need to train. At our present rate, we anticipate conducting initial training programs at least once per year, but will conduct initial training programs more often as new franchisees enter the system. You, your manager and/or assistant manager, and your sugarists are required to attend and successfully complete the Initial Training Program. If you want us to train more than you and up to 6 employees (including up to 4 sugarists), then we reserve the right to charge a fee for people we train above those numbers. The

Initial Training Program shall be at least 5 days in duration, and will include classroom and on-the-job training. You and your managers/sugarists are required to attend and successfully complete, to the our satisfaction, the Initial Training Program at least 2 weeks prior to the Studio opening for business (Franchise Agreement, Section 5.2). The Initial Training Program shall be conducted at the Franchisee’s location an existing L.A. Bikini Studio (which may include one operated by one of our affiliates in Birmingham, Alabama), or at another site we designate. We will determine and notify you of the date of commencement of the Initial Training Program. We also will provide (in our discretion) you with site training and assistance at your Studio Location immediately before and after the commencement of the operation of the Studio (Franchise Agreement, Sections 5.2 and 5.3). A schedule for the Initial Training Program follows:

TRAINING PROGRAM

Our training program has training for both employees that will work as sugarists and employees that will work in managerial or “front office” positions. In the following description of the training program, the training for the sugarists is presented first, followed by the training for front office positions.

Before Arrival (both sugarists and front office):

- All staff have completed ~~Mindbody Quick Reference Videos~~ [viewing of training videos](#)
- (Sugarist) Training ~~DVDs~~ [Online Modules](#) -
 1. 6 steps ~~DVD~~ [Module](#)
 2. Eyebrow Shaping [Module](#)
 3. New Designer & L.A. Bikini ~~DVD~~ [Module](#)
 4. Full Circle of Skin [Module](#)
 5. Manscaping (if applicable to location) [Module](#)
 6. Hungarian Wellness Mud [Module](#)
- Sugarists have completed required paperwork for training

Sugarist Training Module

Day 1: Sugarist Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
MyTime Training <ul style="list-style-type: none"> • Brand Knowledge • Memberships • Clocking in/out • Schedule view • Colors & Symbols of appointments • Booking appointments 	3	0	Franchisee’s Location or LAB Training studio in Birmingham, AL

<ul style="list-style-type: none"> • Checking clients out • Adding retail to the ticket • Adding tip to the ticket • Selling memberships / packages • Client Profile • Reports (tips & retail sales) • Role play • Sugarist daily checklists 			
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Day 2: Sugarist Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
PowerPoint & Reference Guide <ul style="list-style-type: none"> • Introduction • Products and Uses • Hair and Skin • Microbiology and Safe Esthetics • Waxing Hair Removal Technique Product Knowledge <ul style="list-style-type: none"> • Full Circle Skin Conditioning L.A. Bikini Service Protocols <ul style="list-style-type: none"> • Room Setup • Member/Guest Consultation • Sugar Experience • Post Sugar Consultation Q&A and Review	3	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Practical Application <ul style="list-style-type: none"> • Legs • Underarms 	0	5	Franchisee's Location or LAB Training studio in Birmingham, AL

Day 3: Sugarist Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
PowerPoint <ul style="list-style-type: none"> Review 	1	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Practical Application <ul style="list-style-type: none"> pen Lab artial L.A. Bikini .A. Bikini nderarms ud Application Review Q&A	0	7	Franchisee's Location or LAB Training studio in Birmingham, AL

Day 4: Sugarist Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Product Review <ul style="list-style-type: none"> Full Circle Skin Conditioning Demo <ul style="list-style-type: none"> Face Fingers & Toes 	2	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Practical Application <ul style="list-style-type: none"> Brows Lip Chin L.A. Bikini Review Q&A	0	6	Franchisee's Location or LAB Training studio in Birmingham, AL

Day 5: Sugarist Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Exam Product Review	1.5	0	Franchisee's Location or LAB Training studio in

			Birmingham, AL
Practical Application <ul style="list-style-type: none"> • Open Lab • L.A.Bikini • Men's Facial Grooming <ul style="list-style-type: none"> ○ Ears ○ Nose ○ Brow ○ Nape of Neck ○ Beard Shaping 	0	6.5	Franchisee's Location or LAB Training studio in Birmingham, AL

Day 6: Sugarist Training (if applicable)

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Men's L.A. Bikini Draping Protocol	4	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Practical Application <ul style="list-style-type: none"> • Open Lab • Men's L.A. Bikini 	0	4	Franchisee's Location or LAB Training studio in Birmingham, AL

Front Office Training Module

Day 1: Front Office Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation POS Software Front Office Training <ul style="list-style-type: none"> • Brand Knowledge • Services • Retail Products • Memberships • Greeting Guests • Client FAQ's • Cancellation Policy • Open/Close Checklist • Non-Member Follow Up Log Role play	2	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Manager Training <ul style="list-style-type: none"> • Manager Training Guide • Manager Daily Checklist/Duties • Monthly Orders • Inventory • Staff Setup 	2	0	Franchisee's Location or LAB Training studio in Birmingham, AL

<ul style="list-style-type: none"> • Refunds/returns Reports			
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Day 2: Front Office Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
POS Software Front Office Training <ul style="list-style-type: none"> • Day 1 Review • MyTime Overview • Time Clock • Schedule • Colors & symbols of appointments • Opening/Closing register • Booking Appointments • Checking Out Clients • Selling Memberships • Selling Packages • Discounts/Promos • Client Profile • Suspended Memberships • Reports 	3	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Client Engagement <ul style="list-style-type: none"> • Check Clients • Sell memberships 	0	4	Franchisee's Location or LAB Training studio in Birmingham, AL

Day 3: Front Office Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Client Engagement <ul style="list-style-type: none"> • Check Clients • Sell memberships 	0	6.5	Franchisee's Location or LAB Training studio in Birmingham, AL
Manager Training <ul style="list-style-type: none"> • Brand Attributes • Staffing/Hiring • L.A. Bikini Culture 	4	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Final Review Q&A	1	0	Franchisee's Location or LAB Training studio in

			Birmingham, AL
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Day 4: Front Office Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
POS Software Front Office Training <ul style="list-style-type: none"> • Day 1 & 2 Review • MyTime Review • Q&A • Schedule 	1	0	Franchisee’s Location or LAB Training studio in Birmingham, AL
Client Engagement Sell memberships	0	6	Franchisee’s Location or LAB Training studio in Birmingham, AL

Training Instructors – Our Vice President of Franchise Training, Lauren [WigginsRobinson](#), oversees our training program. Since 2014, Ms. [WigginsRobinson](#) has been director of sugarist training at the L.A. Bikini retail location operated by LAB Hoover, LLC and has been the sugarist trainer for LAB since it began offering franchises in 2015. In addition to Ms. [WigginsRobinson](#), other [sugaristseducators](#) employed by [us or by](#) one of our affiliates, [or educators designated by the Area Representative for the Area Representative Territory in which your Studio is located](#) may assist in your training. Any [sugaristeducator](#) that assists in your training will have received and successfully completed our training program.

Front desk and management training may be conducted by Ms. [WigginsRobinson](#) or one of the individuals disclosed above in Item 2, may be conducted by a person with management responsibilities at one of our affiliates, or may be conducted by [a person an educator](#) designated by the Area Representative for the Area Representative Territory in which your Studio is located. ~~After there are a minimum of three Studios in the Area Representative Territory, then the Area Representative for that Area Representative Territory will conduct the front desk and management training for additional Studios.~~

While ongoing training for sugarists and for front desk and management responsibilities may be conducted by Ms. Robinson or other educators employed by us or by one of our affiliates, we anticipate that ongoing training primarily will be conducted by an educator designated by the Area Representative for the Area Representative Territory in which your Studio is located.

You must pay for the salaries, travel, accommodation and related costs for all persons associated with you who attend the training program. We estimate the cost for travel and living expenses during the Initial Training Program to be up to \$2,500 if we conduct the initial training program at our training center in Birmingham, Alabama. If we conduct the initial training program at your location, then we estimate the cost for your travel and living expenses during

the initial training program to be approximately \$200, assuming that you and your employees stay at home and incur normal day-to-day expenses associated with working from a home locality. Travel and living expenses to attend our mandatory training program will depend on your location and, if we decide to conduct training at our training center in Birmingham, Alabama, then your proximity to our training center. We do not charge a fee for our Initial Training Program. We charge a training fee for any designated manager, receptionist, lab assistant or sugarist who attends training after the initial training for your Studio, or if we reasonably conclude that you and/or your designated manager, receptionist, or sugarist failed to attend or successfully complete the Initial Training Program and must re-enroll. We also charge a training fee if you request more than four (4) sugarists to attend the Initial Training Program, as provided for in Section 5.2 of the Franchise Agreement. *See* Item 6.

On-Site Training and Assistance. We may choose to conduct the Initial Training Program at your location. We will provide additional on-site training and assistance immediately before and immediately after you begin operations at your Studio, in our discretion. If we provide that additional on-site training immediately before and immediately after you begin operations, then we will not make an additional charge for that training. You may request additional on-site training or assistance at any time in accordance with our guidelines. We will have no obligation to provide any additional on-site training or assistance, but if we do so, then we will impose a fee for each day of additional on-site training or assistance we agree to provide.

Ongoing Training. We will provide up to two training sessions for sugarists per year at no additional charge to you. (Franchise Agreement, Section 5.4) ~~These~~That ongoing training may be conducted by Ms. Robinson or other educators employed by us or by one of our affiliates or by an educator designated by the Area Representative for the Area Representative Territory in which your Studio is located. We can limit those training sessions ~~will be limited to two~~to three sugarists at a training session. If you request, or we require, additional training (either sessions beyond two sessions or more than ~~two~~three sugarists per session), then we may charge you for the additional sessions or the additional attendees. We may conduct conferences, webinars, refresher courses and other programs or other training sessions. We will determine the duration, curriculum and location of these. You and your managers, sugarists, and other staff must attend these sessions when we require attendance, at your sole cost and expense. You must pay for the salaries, travel, accommodation and related costs for all persons associated with you who attend these programs. You may also be required to pay us a training fee for these mandatory training sessions, refresher courses, programs and/or other meetings, in an amount set forth in the Manual or otherwise.

Typical Length of Time Before Operation

You must open your Studio within 180 days after you sign your Franchise Agreement. We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Studio is approximately five (5) months, but that time could be longer depending on a number of factors. Factors affecting time include finding the location, ability to obtain a lease, weather conditions, shortages, the condition of the site, the construction schedule for the Studio, the extent to which the location must be upgraded or remodeled, the delivery schedule for equipment and supplies, acquiring permits and zoning requirements, compliance with local laws and regulations, attendance at and satisfactory completion of the Initial Training

Program, hiring staff, and procuring opening inventory. We will have unlimited access to the site during construction.

Other Assistance During the Operation of the Studio

During the operation of the franchised Studio, we will:

- (1) Furnish you with those support services we consider advisable. We may provide these services on-site, off-site, by telephone or through other means. Timing will depend on the availability of our personnel (See Franchise Agreement, Section 5.5).
- (2) Furnish you with any specifications for required products and services (Franchise Agreement, Sections 5.6 and 6.8).
- (3) Make available a list of required or permitted suppliers from whom you will buy Products. See Items 6 and 8 (Franchise Agreement, Section 5.6).
- (4) To the extent we begin an Advertising Fund, administer the Advertising Fund. (Franchise Agreement, Section 8.5).
- (5) Provide the ongoing training described above in the “Ongoing Training” section. (Franchise Agreement, Sections 5.3, 5.4).
- (6) Approve forms of advertising materials you will use for local advertising and grand opening advertising. (Franchise Agreement, Sections 8.1, 8.3).
- (7) Provide you with supplements to the Manual with emails and other communications. (Franchise Agreement, Section 5.1)
- (8) Suggest pricing for products or services offered and sold by our Studio. (Franchise Agreement, Section 5.7)

Multi-Unit Development Agreement

If you sign a Multi-Unit Development Agreement, we will determine the number of Studios you must develop, the Development Area for each Studio, and the Development Schedule. (See Exhibits to Multi-Unit Development Agreement, a copy of which is attached to this disclosure document at Exhibit D). We will also approve or disapprove sites for your Studio locations within fifteen (15) business days after you have provided all the information we request to evaluate the site. (MDA, Section 6.1) You select the sites for your Studio Locations within the Development Area granted for each particular Studio, but we may help you to do so. (MDA, Section 6.1) You may not establish any Studio anywhere outside of the Development Area we have established for each Studio. Provided that you are in full compliance with all terms and conditions of your Multi-Unit Development Agreement and any other agreements with us or our affiliates, and meet our then-current standards and qualifications for the grant of a new franchise, we will offer you a franchise to operate a Studio at an approved location by delivering to you promptly after approval of a location, a Franchise Disclosure Document and two

execution copies of our then-current form of Franchise Agreement pertaining to the approved location. (MDA, Sections 6.2 and 6.3)

Each location of a Studio you open under the Multi-Unit Development Agreement will be operated under the then-current form of Franchise Agreement. That agreement may differ from the Franchise Agreement that is attached to this Disclosure Document. We will determine or approve the location of your future Studios, the Site Selection Territory, and your Protected Area under the terms of that Franchise Agreement. Our then-current standards for sites and territories will apply.

Notwithstanding the foregoing, if we are not legally able to deliver a Franchise Disclosure Document to you by reason of any lapse or expiration of our franchise registration, or because we are in the process of amending any such registration, or for any other reason beyond our reasonable control, we may delay approval of the location for your proposed Studio until such time as we are legally able to deliver a Franchise Disclosure Document, and such delay shall not constitute a default under the Multi-Unit Development Agreement. If you fail to meet your obligations under the Multi-Unit Development Agreement, we have the right to terminate your Multi-Unit Development Agreement. In addition to granting you the right to establish a specific number of Studios under your Multi-Unit Development Agreement, we will also provide you with the assistance described in this Item 11 for each Studio you must open under your Multi-Unit Development Agreement.

Advertising and Promotion

While we conduct advertising (including by maintaining a website at ~~www.mylabikini.com~~www.mylabikini.com), we do not have any obligation to conduct advertising for the system or for your Studio, either at a national, regional, or local level. We also do not have an obligation to spend any amount on advertising in your Protected Area. The source of the advertising we offer is ~~both in-house and from a local~~from an outside advertising and marketing agency. The advertising and marketing agency we use is an approved firm for your advertising and marketing needs.

If we furnish advertising, marketing, identification, promotional materials, and programs, then you may only use those materials that we have furnished to you. If we do not furnish you with advertising, identification, and promotional materials and programs for the Studio, then you must ~~first request that we produce the proposed advertising, marketing, identification, and promotional materials or programs.~~

~~If we are unable to produce the materials or decline to produce them, then you must~~ obtain our prior written approval for all proposed advertising, marketing, identification, and promotional materials or programs before any such materials are used or disseminated, following the required procedures set forth by us in the Manual or otherwise. If you request our assistance in the preparation of advertising, marketing, identification, promotional materials, and programs, then we reserve the right to charge for those services. We will communicate our approval or disapproval of any proposed advertising, marketing, identification and promotional materials and programs submitted by you within fifteen (15) days following our receipt of same. Our approval of any materials may be withheld for any or no reason. If you do not obtain our prior written

approval of any advertising, marketing, identification or promotional materials or programs before such materials are used or disseminated, or otherwise breach the provisions of Section 8.1 of the Franchise Agreement then we will notify you in writing of the facts which we believe have given rise to the breach. If you do not cure the breach within three (3) calendar days after your receipt of such notice, then we may terminate or remove any unauthorized advertising at your expense, may direct third parties to cease displaying, publishing, disseminating and/or printing any such unauthorized advertisements or promotions, and we will also be entitled to terminate the Franchise Agreement unilaterally and immediately upon notice to you.

Currently, our system does not have an advertising council composed of franchisees.

We do not currently operate an Advertising Fund, but we intend to do so after sufficient payments are received from franchisees reasonably to justify establishment and operation of an Advertising Fund. The Franchise Agreement obligates you to pay a Brand Development Fee of 1.0% of your Studio's prior week's Gross Revenue. Currently, we use sums paid to us as the Brand Development Fee as part of the amount we spend advertising the L.A. Bikini brand and for operations. In our discretion, we may waive that fee entirely, permit a franchisee to pay a lower rate, or phase in that rate for some franchisees. If we decide to operate an Advertising Fund, we will require participation by all of our franchisees, including your participation, in the Advertising Fund. The Brand Development Fee you and other franchisees pay will be the contribution to the Advertising Fund. Franchisor-owned outlets, if any, will contribute to the Advertising Fund on the same basis as franchisees. If we decide to operate an Advertising Fund, we will operate the fund. We will, at our sole discretion, direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We do not use any of the Brand Development Fee funds collected principally to solicit new franchise sales. We need not make expenditures for advertising or promotions for you which are equivalent or proportionate to your pro rata contributions. We need not attempt to and are not required to ensure that you benefit directly or proportionately from the Fund. We are not obligated to maintain Brand Development Fees into a separate, segregated account. Monies paid for the Brand Development Fees (and to any future Advertising Fund) are not held in a trust and we are not a fiduciary in any capacity. As the Advertising Fund has not been established, the fund is not audited and there is no mechanism for it to be audited, and financial statements of any fund do not exist and are not available for review. Also, because the Advertising Fund has not been established, we do not provide information about how funds were used in the most recently concluded fiscal year. If we decide to operate an Advertising Fund, then once the Advertising Fund is established, we do not intend that the Advertising Fund will be audited, but we do intend to make financial statements of the Fund available upon request by our franchisees. Franchisees are not obligated to participate in any other form of advertising fund.

Each month during the first year of operation of your Studio, you must spend on local advertising and promotions which we have approved the greater of an amount equal to 2.5% of the Studio's average monthly Gross Revenue during the preceding quarter or \$2,000. After the first year, you must spend each month an amount equal to 2.5% of the previous quarter's monthly average Gross Revenues on local advertising and promotions which we have approved. If you fail to spend those amounts, then you must immediately remit to Franchisor, as specified by Franchisor in its Manual or otherwise, the difference between the amount you actually spent

each quarter on local advertising and promotion and required amount that Franchisee should have expended in accordance with Section 8.3 of the Franchise Agreement.

We do not currently have any national, regional, or local advertising cooperatives in our system. You will not be obligated to participate in a local or regional advertising cooperative. At this time, we have not determined the details of any future advertising cooperative that we may authorize, including the amount of required or suggested contributions by franchisees, whether franchisor-owned Studios will contribute, or administration of the cooperative. There are no governing documents available for the franchisee's review.

Computer Requirements

Before your Studio opens, you must purchase and install our required computerized point of sale system and management system, printers and other related accessories and peripherals (Franchise Agreement, Section 6.11)

These systems grant us access and permit us to instantly receive information concerning sales from your Studio, and provide you with sales and other operational information. You are to assist us in accessing this information.

You are required to establish Internet access through a reputable Internet service provider, utilizing a fixed Internet protocol, Internet router and any other required specifications designated by us in the Manual or otherwise. The Internet service provider you select must be capable of providing and supporting broadband internet connectivity at your location, and your location must have internet broadband access. The currently required computer hardware and software systems include one front counter computer, which is a ~~21.5~~24 inch Apple iMac, ~~2.3GHz dual-core 7th-generation Intel Core i5 processor, Turbo Boost up to 3.6GHz, 8GB 2133MHz DDR4 memory, 256GB SSD storage, Intel Iris Plus Graphics 640, Magic Mouse 2, Magic Keyboard — US English, iPad mini, 7.9 inch Retina Display, 64 GB storage, Wi-Fi enabled~~Apple M1 Chip, 8-Core CPU, 7-Core GPU, 256GB Storage, 8GB unified memory, 24-inch 4.5K Retina display, Two Thunderbolt / USB 4 ports, Magic Keyboard. Color: Optional; iPad Mini, 64 GB Storage, Wifi Enabled. We also require ~~a music box, speakers, a~~ credit card processing modem, and a printer. In addition, you will be required to purchase from our designated vendor a magstripe reader and a cash drawer. You will also be required to purchase and maintain our designated point of sale system and management system software. The current cost of purchasing the computer hardware, software and point of sale system and management system software required is approximately \$3,000.

The service provider of this designated point of sale system and management system software will provide you with updates, upgrades and maintenance to remain in compliance with our standards and specifications. You are obligated to maintain systems that are current with respect to updates, upgrades, and maintenance recommended by the service provider of those systems. The estimated annual cost of any optional or required maintenance, upgrades or support is approximately \$500 - \$1,000, although this cost may increase at any time. We will have independent access to your Studio's sales information and data produced by your system, such as your Studio's client information, client appointments, your Studio's service and product sales information, and employee information and schedules. We are not obligated to provide a

website or other Internet data relative to the franchise system and franchisees. There are no contractual limitations on our right to access this information and data. In addition to the point of sale system and management system software we may require that you install computer systems meeting our standards and specifications. The computer systems would be used to assist you in the operation of your Studio. You are responsible for all costs associated with any computer systems including accessing the Internet. We would have the right to access the information generated by the computer system.

ITEM 12: TERRITORY.

You are not granted any options, rights of first refusal, or similar rights to acquire additional development rights or franchises within contiguous territories.

Franchise Agreement

The Franchise Agreement permits you to establish and operate an L.A. Bikini Studio at a designated location.

If, at the time the Franchise Agreement is executed, a location for Franchisee's Studio is not identified or obtained by you and approved by us, you will lease or acquire a location within ninety (90) days after the date of this Agreement. If you do not submit at least ~~forty-five~~ninety (4590) days from our execution of the Franchise Agreement a proposed draft of the lease, the Franchise Agreement will terminate.

The location of Franchisee's Studio will be located within the Site Selection Territory to which we agree. Once a location has been determined, we will grant you rights within a geographic area ("Protected Area"). Your Protected Area will be determined on a case-by-case basis and the size of a Protected Area may differ from one Franchisee to another. The Protected Area will be designated by zip codes, a written description, or a map. You will negotiate and agree upon the size of your Protected Area with us at the time you identify a proposed Studio Location. The Protected Area will be determined by the economic, demographic, and geographic information (such as population density), and population size specific to your location. Your Protected Area will generally include an area with a total population of approximately 55,000 people, but your specific situation may mean that we agree on a Protected Area with a smaller or larger population.

Continuation of the territorial exclusivity in your Protected Area does not depend on your Studio achieving a certain sales volume, market penetration, or other contingency. Absent your uncured default and termination of the Franchise Agreement, there are not circumstances where we can alter your Protected Area. Provided that you are not in default, we will not establish or license another person to establish another L.A. Bikini Studio within your Protected Area.

You authorize us to complete Exhibit A of your Franchise Agreement to define the Location and Protected Area in the event that a Location and Protected Area is not identified at the time the Franchise Agreement is signed.

You may not relocate your Studio to another location without first obtaining our written approval, which may be withheld for any reason. Any relocation will be at your sole expense.

All leases, subleases or other agreements you enter into to relocate the Studio must conform to the provisions of the Franchise Agreement. At the time you request from us the right to relocate, you shall pay us the sum of Five Thousand Dollars (\$5,000.00) for costs and other expenses we may incur in our consideration of the request. This payment is not refundable under any circumstances. In deciding whether we will approve the relocation of the franchised business, we will consider a number of factors, which include the following: whether the proposed new location is inside your Protected Area; where it is located within your Protected Area; population density in the area of the proposed new location; roadway access; parking; suitability for a Studio, based on other business and retail operations in the specific area (for example, the same shopping center) and in the more general geographic area (for example, other shopping centers, retail clusters, or stand-alone storefronts in the general area); overall suitability or desirability of the neighborhood for a premium personal care services studio of the type offered under the L.A. BIKINI brand; whether you are current on all obligations to us; the length of time remaining in your Franchise Agreement (and any renewal terms); and your past performance at the existing Studio location.

We grant you an exclusive territory, the "Protected Area." The Protected Area is exclusive during the term of your Franchise Agreement. However, we do not grant you marketing exclusivity in your Protected Area.

All L.A. Bikini Studios, including centers operated by us or by one of our Affiliates, may advertise and offer their products and services to any person anywhere, including in your Protected Area, without any compensation to you, and nothing shall prevent another Studio from competing against you for customers. You are not restricted from advertising and offering L.A. Bikini products and services to customers outside your Protected Area, and may only use advertising, marketing, identification and promotional materials and programs which we have furnished to you or have approved. See Item 11. You may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Studio on the Internet or any other public computer network or social media site except as required, sponsored, placed, or approved in writing by us. Unless you sign a Multi-Unit Development Agreement, you do not have the right under the Franchise Agreement to open or operate more than one Studio regardless of its location. If you sign a Multi-Unit Development Agreement, your right to sign additional Franchise Agreements to operate additional Studios will be governed by the Multi-Unit Development Agreement and the additional Franchise Agreements for those additional locations. We will not operate or cause another franchisee to operate a Studio within your Protected Area.

Your territorial exclusivity rights are not dependent upon achievement of a certain sales volume or market penetration. You will not have the right of first refusal or any similar rights in the contiguous territories or areas surrounding or near your Protected Area should we decide to sell a Studio outside of your Protected Area, wherever located. You will not have the right to amend or modify your Protected Area. We do not reserve a right to modify your territorial rights.

We (on behalf of ourselves and our Affiliates and/or licensors) retain all rights with respect to the L.A. Bikini System, the names and marks used in and to identify L.A. Bikini Studios including our Marks, the sale of Products and any other products and services, anywhere in the world, including, without limitation, the right to (a) own, operate, situate and/or license

others to operate L.A. Bikini Studios, anywhere outside your Protected Area, as we consider appropriate, including within close proximity to your Studio, (b) offer and sell products and services within the Protected Area that are not part of the L.A. Bikini System through any distribution method, (c) offer and sell within the Protected Area (either through ourselves or through franchisees) those products and services which the Franchise Agreement contemplates you will offer and sell on the termination or expiration of the Franchise Agreement, or upon your breach, (d) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, the Products, components thereof or variations thereon, which now or in the future are a part of the L.A. Bikini System, to any person or entity, both within and outside your Protected Area, from and/or to any location whatsoever. We and our Affiliates and licensors may engage in such wholesale or retail sales activities from, at, to, or through existing salons, spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. You do not have any rights with respect to such sales whether conducted now or in the future.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a trademark different from the L.A. BIKINI mark that will sell or goods or services similar to those you will offer at your Studio.

Multi-Unit Development Agreement

If you are signing a Multi-Unit Development Agreement, you will be granted a Development Area for each L.A. BIKINI Studio you commit to developing. We determine the location and size of the Development Area in our sole and absolute discretion. The Development Area will be determined by the demographics and population size specific to the market within which you are looking to develop and open 2 or more franchised Studios. A description of the Development Area will be attached as Exhibit A to your Multi-Unit Development Agreement (Exhibit D to this disclosure document). Each location of a Studio you open under the Multi-Unit Development Agreement will be operated under the then-current form of Franchise Agreement. That agreement may differ from the Franchise Agreement that is attached to this Disclosure Document. We will determine or approve the location of your future Studios, the Site Selection Territory, and your Protected Area under the terms of that Franchise Agreement. Our then-current standards for sites and territories will apply.

ITEM 13: TRADEMARKS.

Under the Franchise Agreement, we grant you the right and license to use the Marks solely in connection with the operation of your Franchised Studio. You may only use those Marks as are designated by us in writing for your use and you may use them only in the manner permitted by us. You may not, directly or indirectly, contest our ownership of, or our rights in, the Marks. Our primary Marks are the “L.A. BIKINI” name and the associated logo.

Neither we nor any Affiliate own the Marks. Under a license agreement dated April 15, 2015, as amended effective January 4, 2019, Alexandria Professional, LLC licenses LAB Holding Company, LLC the right to use the Marks and authorizes us to grant franchisees rights to use of the Marks in accordance with the terms of the Franchise Agreement. Alexandria Professional, LLC is not an affiliate of ours, although one of the minority owners of LAB

Holding Company, LLC has an interest in Alexandria Professional, LLC. The term of that license agreement is fifty (50) years, and automatically renews for successive renewal terms of ten (10) years each. It remains in full force and effect so long as we do not commit a material, uncured breach of the license agreement. It will terminate if we cease to do business, make any assignments of assets or business for the benefit of creditors, or a trustee or receiver is appointed to conduct our business or affairs, or we are adjudged that in any legal proceeding to be either a voluntary or involuntary bankruptcy. If the license agreement terminates, we are obligated to stop using and sublicensing the Marks and we will direct you to modify or discontinue your use of the Marks. Therefore, termination of the license agreement will require that you stop using the Marks.

Registration of the L.A. BIKINI marks was granted to Alexandria Professional, LLC as detailed in the table below. Both registrations are on the Principal Register of the United States Patent and Trademark Office.

FEDERAL REGISTRATIONS

Mark	Registration Number	Registration Date	Owner
L.A. BIKINI	3,034,702	12/27/2005 Renewed	Alexandria Professional, LLC
L.A.B. L.A. BIKINI (and design) 	5,243,647	7/18/2017	Alexandria Professional, LLC

There are no presently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the trademark administrator of any state or any court involving the Marks.

There are no pending interference, opposition or cancellation proceedings, or any material litigation involving the Marks.

As noted above, we derive our rights to the Marks pursuant to a trademark license agreement between us and Alexandria Professional, LLC. There are no other agreements currently in effect that significantly limit our right to use or license the use of our Marks in any manner material to the franchise. There are no infringing uses actually known to us that would materially affect your use of the Marks in the state in which your Franchised Studio is to be located. However, you need to be aware that Alexandria Professional, LLC may itself, and may

permit other salons, hair removal centers, and other persons and entities to use the phrase “L.A. Bikini” to identify a particular style of hair removal. Alexandria Professional, LLC has agreed that it will not permit other hair removal centers, and other persons and entities to use the phrase “L.A. Bikini” as the name of a business or trade name.

In the event you receive notice, or are informed of any claim, suit, or demand against your use of any Mark, you are obligated to promptly notify us. We have the sole discretion to take any action, including taking no action, if we deem appropriate. We are not obligated by the Franchise Agreement to protect your right to use the Marks or to defend you against any infringement, unfair competition, or other claim respecting the Marks. We will reimburse you for actual damages (other than loss of income) and expenses reasonably incurred by you as the result of any claim made by any third party for infringement, unfair competition or similar matters involving your use of the Marks, provided you satisfy certain conditions in the Franchise Agreement.

You are obligated to notify us of any use of, or claims of rights to, any trademark identical to or confusingly similar to the Marks.

We alone have the right to control or settle any legal actions or proceedings. We may, in our sole discretion, prosecute or defend any other actions or proceeding, which we deem necessary or desirable for the protection of the Marks. You agree not to contest our right, title, or interest in the Marks.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue the use of any names or Marks, you must use one or more additional or substitute Marks as directed by us. You will be required to bear all costs and expenses associated with any such changes.

You cannot use our name, Marks, or variants of either as part of a business organization name. You must obtain fictitious or assumed name registration as required by local law. You may not use the L.A. Bikini name for the sale of unauthorized products or services, or in a manner not specifically authorized in writing by us.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.

There are no patents that are material to the franchise. We claim copyright protection in the Manual and related materials, and advertising and promotional materials, although these materials have not been registered with the United States Copyrights Office. These materials are considered proprietary and confidential, are considered our property, and may be used by you only as provided in the Franchise Agreement.

There currently are no effective determinations of the Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights.

You must treat the Manual, any other manuals created for or accepted for use in the operation of the Franchised Studio, and the information contained in them, as confidential, and

you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, or otherwise make them available to any unauthorized person. The Manual, which is loaned to you for use, will remain our sole property and must be kept in a secure place at the Studio.

We may revise the contents of the Manual at any time and as we deem necessary or appropriate, and you must comply with each new or changed standard immediately upon notification. You must ensure that the Manual is kept current at all times. In the event of any disputes as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Except as is necessary for the operation of the Franchised Studio and as we approve, you may not, during the term or at any time after the expiration or termination of the Franchise Agreement, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the services, advertising, marketing, designs, plans, or methods of operation of the Franchised Studio or the System. You may disclose to your employees only that confidential, proprietary or trade secret information as is necessary to operate the business and then only while the Franchise Agreement is in effect. Any and all information, or knowledge, including, materials, equipment, marketing, and other data, which we designate as secret or confidential, will be deemed secret and confidential for purposes of the Franchise Agreement.

At our request, you must require your manager, and any personnel having access to any of our confidential information to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by you at the Franchised Studio. The covenants must be in a form satisfactory to us, including, specific identification of us as a third-party beneficiary of the covenants, with the independent right to enforce them.

We also consider our trade dress (that is, elements of the L.A. Bikini method and style of doing business) inherently and uniquely distinctive and protectable under applicable Federal and State law.

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

You are obligated to personally and directly supervise the operation of the Studio, unless otherwise permitted in writing by us. If we permit you not to directly supervise the operation of the Studio, we still recommend that you do directly supervise the operation of the Studio. You further agree to devote the amount of your time, attention and best efforts to the performance of your duties under the Franchise Agreement that is necessary for the proper and effective operation of the Studio.

If you are an individual, you shall serve as a Studio Manager and may designate an Assistant Manager who shall be responsible for the operations of the Studio when you are not available. The Studio shall at all times be under the supervision of the Studio Manager, an

additional Studio Manager (if you employ more than one Studio Manager), or an assistant manager who has successfully completed our Initial Training Program.

You shall inform us in writing as to the identity of the Studio Manager and any successor Studio Managers and Assistant Studio Manager. Each Studio Manager must receive our prior written approval. Your Studio Manager will have day-to-day management responsibility for the Studio, exercise on-premises supervision, and personally participate in the direct operation of the Studio. Each Studio Manager and Assistant Studio Manager must complete to our satisfaction, the Initial Training Program, under the terms and conditions specified in the Franchise Agreement.

Each Studio Manager and Assistant Studio Manager shall be required to sign a Confidentiality/Non-Competition Agreement provided by us, and may divulge only Confidential Information necessary to operate the Studio, and only to those of your employees, agents or independent contractors who need access to it for this purpose. You are obligated to take all necessary precautions to ensure that all your employees retain the Confidential Information in confidence.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.

You must confine your business to the operation of a L.A. Bikini Studio. You may not conduct any other business or activity at or from the Studio Location. You may identify your Studio only by the trade name and service mark “L.A. BIKINI.” You must offer all of the products and services that we prescribe, and we may change the products and services from time to time at our discretion. There is not a limit on our rights to make those changes. You may not offer or sell any product or service from the Studio except those we authorize. If we offer them for sale to you, you must purchase certain products from us or from suppliers approved by us. See Items 8 and 11. Goods and services that you sell must be provided at your Studio and at no other location, so customers must come to your Studio to purchase goods and receive services. Otherwise, there are no limits on the customers to whom you may sell goods and services.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement (FA) or Other Agreement (MDA)	Summary
a. Length of the franchise term	FA Section 1.4	10 years
	MDA Section 4.1	Commences on the Effective Date of the MDA and ends as set forth in the

		Development Schedule on the first to occur of: (1) the date the last Studio required to be opened actually opens for business; or (2) the date the last Studio was required to be opened.
b. Renewal or extension of the term	FA Section 1.5	If you satisfy the renewal requirements, you may renew for unlimited additional consecutive terms of ten (10) years each, upon payment of the Renewal Fee, which shall be in an amount equal to 25% of the initial franchise fee that Franchisee paid to Franchisor upon execution of the Franchise Agreement.
	MDA Section 4.2	No rights to renew.
c. Requirements for franchisee to renew or extend	FA Section 1.5	In our system, “renewal” means that upon the expiration of the original term of the Franchise Agreement, you have the right to enter into a new agreement according to the then-current terms and conditions of our Franchise Agreement at that time. You may be asked to sign a contract with materially different terms and conditions than your original Franchise Agreement; however, the Protected Territory will not change on any renewal. You must have substantially complied with all of the provisions of the Franchise Agreement during its initial or renewal term. You must maintain possession of the Location and before the expiration date, bring the Studio into full compliance with the specifications and standards then applicable for new or renewing L.A. Bikini centers. You must give notice of renewal to us at least nine (9) months, but no more than twelve (12) months, prior to the expiration of the Initial Term. You must have satisfied all monetary obligations owed to us and our affiliates and have timely met these obligations throughout the term of the Franchise Agreement. You must execute our then-current form of the Franchise Agreement (with appropriate modifications to reflect

		the fact that the Franchise Agreement relates to the grant of a renewal franchise), and that Franchise Agreement shall supersede the initial agreement and the terms of which may differ from the terms of the initial Franchise Agreement including, without limitation, different percentages for Continuing Royalty Fees and Brand Development Fee or Advertising Fund Contributions. You must comply with our then-current qualification and training requirements. You must execute a general release, in a form we dictate of any and all claims against us, our subsidiaries, affiliates and our respective officers, directors, attorneys, agents, shareholders and employees. The current form of general release is attached as Exhibit E to this disclosure document.
	MDA	Not applicable
d. Termination by franchisee	FA	Not applicable
	MDA	Not applicable
e. Termination by franchisor without cause	FA	Not applicable
	MDA	Not applicable
f. Termination by franchisor with cause	FA Sections 16.1 – 16.6	We can terminate you only if you default. The agreement contains a cross-default provision, meaning that a non-curable default of the Franchise Agreement or any other agreement between us and you lets us terminate the Franchise Agreement and all other agreements, including a Multi-Unit Development Agreement.
	MDA Sections 10.1-10.5	We can terminate you only if you default. The agreement contains a cross-default provision, meaning that a non-curable default of the Franchise Agreement or any other agreement between us and you lets us terminate the Multi-Unit Development Agreement and all other

		agreements, including an Franchise Agreement.
g. "Cause" defined - curable defaults	FA Sections 8.1 and 16.3	All defaults, other than those to which there is no cure period, may be cured within either 3 days (Advertising Standards, Section 8.1) or 15 (other defaults, Section 16.3) days after notice of cure is received.
	MDA Sections 10-1-10.3	Defaults, other than those for which there is no cure period, will have 15 calendar days after receipt of a written notice of default to remedy any default.
h. "Cause" defined - non-curable defaults	FA Section 16.2 -16.3	If there is a non-curable default of the Franchise Agreement, we can terminate all agreements between you and us, including any Multi-Unit Development Agreement. Non-curable defaults include: bankruptcy or insolvency; you do not commence operation of the franchised Studio within 180 days following execution of the Franchise Agreement by us; abandonment, omission or misrepresentation of a material fact in the information you furnish to us; we and you agree in writing to terminate the Franchise Agreement; you do not provide a copy of the proposed lease, or do not secure a Studio Location within the time limits and following the procedures specified in the Franchise Agreement; loss of possession of the Studio; you engage in an act that constitutes a crime or offense; a threat or danger to public health or safety results from your continued operation of the franchised Studio; you reuse and/or recycle any Product, or sell such products to third parties without our prior approval and written consent; you fail to correct any local, state or municipal health or sanitation law or code violation within 72 hours after being cited for such violation; you purport to transfer any rights or obligations under the Franchise Agreement, the franchisee (if a legal entity), or the franchised Studio to any third party in violation of the terms of the Franchise Agreement; you conceal

		<p>revenues, knowingly maintain false books or records, falsify information or otherwise defraud or makes false representation to us or, knowingly submit any substantially false report to us; you engage in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice; you are found to have understated your Gross Revenue by 5% or more for any calendar year; you interfere or attempt to interfere with our contractual relations with other franchisees, customers, employees, or any third parties; or you interfere or attempt to interfere with our ability or right to franchise or license others to use and employ Marks and System or you make any use of the Marks not authorized under the Franchise Agreement; you receive three (3) notices of default within any eighteen (18) month period; you offer or sell any unapproved products and/or conduct (or permit the conducting of) any business other than the business contemplated by the Franchise Agreement at or from the Studio without our prior written consent.</p>
	<p>MDA Section 10.1</p>	<p>If there is a non-curable default of the Multi-Unit Development Agreement, we can terminate all agreements between you and us, including any Franchise Agreement. Non-curable defaults: you omit or misrepresent any material fact in the information you furnish to us in connection with our decision to enter into this Agreement; you attempt to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under the MDA, in violation of the terms of the MDA, or without the written consents required by the MDA; you are insolvent or unable to pay your creditors (including us or our affiliates); you file for bankruptcy, reorganization or insolvency; you and we agree in writing to terminate the MDA; you fail to meet the Minimum Development</p>

	<p>Obligations within the time periods specified in the Development Schedule; you fail at any time during the Term, to have open and continuously operating the number of Studios required by the Development Schedule; you fail to obtain our written approval of a Studio location by the applicable date required by the Development Schedule; you fail to open any of the Studios by the applicable date required by the Development Schedule; you begin construction of a Studio without obtaining our prior written approval of the Location; your business or property(ies) have a suit levied against them to foreclose any lien or mortgage against the premises or equipment of any of your Studios which is not dismissed within 60 days, or the real or personal property of the Studio shall be sold after levy by any sheriff, marshall or constable; you are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude; or any crime or offense that is reasonably likely, in the sole subjective opinion of us, to adversely affect us, our affiliates and the System; you do any act that we believe has a negative impact on the Marks or the System; you interfere or attempt to interfere with our contractual relations with other franchisees, customers, employees, advertising agencies or any third parties; you interfere or attempt to interfere with our ability or right to franchise or license others to use and employ our Proprietary Marks and System or you make any use of the Proprietary Marks not authorized under the MDA or the franchise agreements; you remain in default beyond the applicable cure period: (a) under any other agreement with us or our affiliates; (b) under any real estate Lease, equipment Lease or financing instrument relating to one of your Studios; or (c) with any vendor or supplier to one of your Studios; any of the individual franchise agreements or any other</p>
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		<p>agreement between you and us is terminated; or you breach your obligations under Article 9 of the MDA, or any other provisions related to Confidential Information and noncompetition by you.</p>
<p>i. Franchisee's obligations on termination/non-renewal</p>	<p>FA Section 17.1</p>	<p>Obligations include immediately paying all sums due and owing to us and paying to us the full amount of the Studio's outstanding gift card/certificate liability; discontinuing the use of the Marks, Manual, and System; cancel any assumed name or equivalent registration which contains the Mark "L.A. Bikini," or any other of our Marks; allow us to enter and take possession of your Studio to maintain continuous operation of the previously-franchised Studio; pay all of our expenses incurred as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees; at our option, which is exercisable in writing within thirty (30) days from the date of expiration or termination of the Agreement, or if termination is contested by you, within thirty (30) days after a court decides the propriety of the termination, assign to us any interest which you have in any lease for the Studio Location, and vacate the Studio; if you own the Studio, to execute and deliver to us a lease for the Studio Location on commercially reasonable terms; return all training or other manuals furnished to you, including the Manual and supplements to the Manual; immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner; cease using the telephone numbers listed in the Yellow Pages and White Pages of any telephone directories under the name "L.A. Bikini" or any other confusingly similar name; comply with the post-termination/post-expiration covenants not to compete set forth in the Franchise Agreement, continue to abide by those restrictions pertaining to the use of our</p>

		Confidential Information, trade secrets and know-how set forth in the Franchise Agreement; immediately surrender to us all computer software, data storage disks or tapes used in the operation of the franchised Studio, printouts, and other information pertaining to computer operations, codes, procedures and programming; if we elect not to assume possession of the Studio, then promptly upon termination or expiration, perform all reasonable redecoration and remodeling of the Studio as we consider necessary in our reasonable judgment to distinguish the Studio from a L.A. Bikini Studio.
	MDA Sections 9.3 and 10.5	You must immediately pay to us any and all unpaid amounts due from you to us or our affiliates, plus any accrued interest. For a 2-year period after termination of the MDA, you may not solicit or induce, or influence in any other manner any of our franchisees or developers to terminate or modify his, her or its business relationship with us or to compete with us; you will not own, manage, operate, control or conduct a Competitive Business within the any Development Area for a particular Studio or within 50 miles of your Studios or any other L.A. BIKINI Studio that is: (i) operating; (ii) under construction or development, or (iii) under development within twelve 12 months after termination; you will not interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the System, our business or the business of our affiliates, developers, or franchisees.
j. Assignment of contract by franchisor	FA Section 13.1	We have an unlimited right to assign the Franchise Agreement.
	MDA Section 8.1	We have an unlimited right to assign the Multi-Unit Development Agreement.
k. "Transfer" by franchisee - defined	FA Sections 13.2-13.4	Includes any transfer of your interest in the Franchise Agreement or Studio, except for the transfer or redemption of less than a 25

		% interest in the franchisee to a person or entity who: is not already an owner of franchisee, the spouse of any shareholder, member, or partner in franchisee, a trust controlled by the shareholder or partner, or a new entity controlled by a shareholder or partner.
	MDA Section 8.2	Includes any transfer of your interest in the Franchise Agreement or Studio, except for the transfer or redemption of less than a 25 % interest in the franchisee to a person or entity who: is not already an owner of franchisee, the spouse of any shareholder, member, or partner in franchisee, a trust controlled by the shareholder or partner, or a new entity controlled by a shareholder or partner.
l. Franchisor approval of transfer by franchisee	FA Sections 13.2- 13.3	We have the right to approve all transfers and assignments but will not unreasonably withhold our consent.
	MDA Section 8.2	We have the right to approve all transfers and assignments but will not unreasonably withhold our consent.
m. Conditions for franchisor approval or transfer	FA Sections 13.2 -13.4	New franchisee or principal owner qualifies, you are not in default under the Franchise Agreement, transfer fee paid, all amounts owed by you are paid, training completed, general release (Exhibit E to this disclosure document) signed, new franchise agreement signed, right of first refusal to us provided.
	MDA Section 8.2	New developer must meet qualifications; you have opened at least 1 Studio under the Development Schedule; the new developer completes our training program; the new developer is not in default of any other agreements with us; the price and terms of the transfer will not jeopardize the ability of the new developer to complete the Development Schedule; you furnish to us a fully signed contract of assignment; new Multi-Unit Development

		Agreement signed; assignee shall pay us 75% of our then-current Initial Franchise Fee; you pay us a transfer fee of \$5,000; general release signed (Exhibit E to this disclosure document); right of first refusal provided.
n. Franchisor's right of first refusal to acquire franchisee's business	FA Section 13.6	We can match the offer you receive for the sale of your Studio.
	MDA Section 8.3	We can match the offer you receive for the sale of your development rights.
o. Franchisor's option to purchase franchisee's business	FA Section 17.1.B	We do not have the right to purchase your Studio or your assets upon the expiration or termination of the Franchise Agreement, but we do have the right to enter and take possession of your Studio and operate the Studio. We also can require that you assign to us your lease for the Studio location, or if you own the Studio location, require that you lease the Studio location to us on commercially reasonable terms.
	MDA	Not applicable
p. Death or disability of franchisee	FA Section 13.5	The franchise can be transferred to a third party approved by us upon your death, disability or incapacity Transfer conditions apply (see M above). We may temporarily operate the Studio until a third party qualifies.
	MDA Section 8.2	The MDA can be transferred to a third party approved by us upon your death, disability or incapacity Transfer conditions apply (see M above), except the transfer fee is waived if the assignee is your beneficiary or heir.
q. Non-competition covenants during the term of the franchise	FA Section 12.1	No direct or indirect involvement in the operation of any business selling products or services similar to those sold by your L.A. Bikini Studio or that offers hair removal services (including not only the

		sugaring services you offer, but also competitive techniques like waxing and threading).
	MDA Section 9.2	No direct or indirect involvement in the operation of any business selling products or services similar to those sold by your L.A. Bikini Studio or that offers hair removal services (including not only the sugaring services you offer, but also competitive techniques like waxing and threading).
r. Non-competition covenants after the franchise is terminated or expires	FA Section 12.2	No direct or indirect involvement in the operation of any business selling products or services similar to those sold by your L.A. Bikini Studio or that offers hair removal services (including not only the sugaring services you offer, but also competitive techniques like waxing and threading) for two (2) years within the Protected Area or ten (10) miles of the Protected Area of any other L.A. Bikini Studio.
	MDA Section 9.3	No competing business for two (2) years within ten (10) miles of your Studios or any other L.A. BIKINI Studio.
s. Modification of the agreement	FA Section 19.2	No modification unless in writing, although we can change Operations Manual and list of Marks.
	MDA Recitals, Sections 3.1 and 12.7	No modification unless in writing, although we can change Operations Manual and list of Marks. Changes to any Development Area and Development Schedule must have our prior written approval
t. Integration/merger clause	FA Section 19.4	No statements or promises binding unless contained in the Franchise Agreement.
	MDA Section 12.7	No statements or promises binding unless contained in the Multi-Unit Development Agreement.
u. Dispute resolution by	FA Sections 19.1-19.8	You must resolve disputes with us by

arbitration or mediation		binding arbitration under Commercial Arbitration Rules of the American Arbitration Association before one arbitrator (or a panel of three arbitrators if the amount claimed is greater than \$200,000). Arbitration will be conducted in Birmingham, Alabama. We and you waive the right to punitive or exemplary damages, which may not be awarded by arbitrator or enforced by a court if awarded.
	MDA Section 11	You must resolve disputes with us by binding arbitration under Commercial Arbitration Rules of the American Arbitration Association before one arbitrator (or a panel of three arbitrators if the amount claimed is greater than \$200,000). Arbitration will be conducted in Birmingham, Alabama. We and you waive the right to punitive or exemplary damages, which may not be awarded by arbitrator or enforced by a court if awarded
v. Choice of Forum	FA Section 20.7	Any permitted litigation must be in Jefferson County, Alabama, subject to applicable state law.
	MDA Sections 11.4, 12.3	Any permitted litigation must be in Jefferson County, Alabama, subject to applicable state law.
w. Choice of Law	FA Section 20.6	Except for the Federal Arbitration Act, the Trademark Act, and other federal law, Alabama law governs, subject to applicable state law.
	MDA Section 11.4	Except for the Federal Arbitration Act, the Trademark Act, and other federal law, Alabama law governs, subject to applicable state law.
x. Waiver of jury trial	FA Section 20.8	The parties waive any and all rights to a trial by jury.
	MDA Section 12.14	The parties waive any and all rights to a trial by jury.

ITEM 18: PUBLIC FIGURES

At this time, we do not use any public figure to promote our franchise.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

The financial performance representation we make in this Disclosure Document is an historic financial performance representation about the L.A. BIKINI system's existing outlets as described further below.

The following information shows the 2021 average gross revenue, average materials and labor expense, and annual average rent expense for franchised and affiliate owned L.A. BIKINI Studios that were open and in operation for either: (a) 24 months or longer as of December 31, 2021, or (b) more than 12 months but less than 24 months as of December 31, 2021. All Studios that are included in this information were in operation for the full 12 months during 2021. The information we include below includes information from all L.A. BIKINI Studios that currently are in operation as of the date of this Disclosure Document. As of the date of this Disclosure Document, the two affiliate-owned Studios are operated by the affiliates identified in Item 1, Waxmatters, LLC and LAB Hoover, LLC.

All L.A. BIKINI Studios offer substantially the same products and services to the public. None of them received any services not generally available to our franchisees, and substantially the same services will be offered to new franchisees. The affiliate-owned Studios do not pay any royalties, advertising fees, or other fees to us. In addition, the affiliate-owned Studios receive centralized accounting, financial, and management services. However, for purposes of comparison, the expense items detailed in the tables below do not track royalties, advertising fees, or other fees paid to us, or other expenses beyond expenses for purchase of materials, labor expenses, and rent expense.

We obtained the gross revenue figures from the point-of-sale computer systems used by our affiliates and our franchisees. Our franchisees and our affiliates reported their materials and labor expenses and rent expenses to us at our request. Neither we nor an independent accountant has independently audited or verified the information.

This information may not be representative of the L.A. BIKINI Studios in any other year. Gross revenue for any new L.A. BIKINI Studio may substantially lower during the first year of

operations, and expenses for materials, labor, and rent may be a higher percentage of gross revenue during the first year of operations.

**2021 AVERAGE ANNUAL GROSS REVENUE,
MATERIALS AND LABOR EXPENSE, AND RENT EXPENSE**

The following information shows the 2021 average gross revenue, average materials and labor expense, and annual average rent expense for franchised and affiliate-owned L.A. BIKINI Studios that responded to our request for information and that were open and in operation for either: (a) 24 months or longer as of December 31, 2021, or (b) more than 12 months but less than 24 months as of December 31, 2021. All Studios that are included in this financial performance representation were in operation for the full 12 months during 2021.

As of December 31, 2021, there were 12 L.A. BIKINI Studios in operation, which includes 2 affiliate-owned Studios and 10 franchised Studios. Of the 12 L.A. BIKINI Studios in operation at the end of 2021, 2 of them did not provide the requested information. The tables below provides information provided by all the Studios (2 affiliate-owned Studios and 8 franchised Studios) that responded to our request for information. Of the 10 that provided the requested information: (a) 4 of them (including 2 affiliate-owned Studios and 2 franchised Studios) were open at least 24 months as of December 31, 2021; and (b) 6 of them (6 franchised Studios) were open at least 12 months but less than 24 months as of December 31, 2021. Information for all Studios in the L.A. BIKINI system that responded to our request for information and that were operating as of December 31, 2021, are included in the tables that appear below.

**SYSTEM-WIDE OUTLETS IN OPERATION
AT LEAST 24 MONTHS AS OF DECEMBER 31, 2021⁽¹⁾**

Calendar Year 2021		
<u>Annual Average</u>		<u>Number and Percentage of Studios Exceeding the Average</u>
<u>Average Gross Revenue ^{(2), (3)}</u>	<u>\$664,321</u>	<u>2 out of 4 (50%)</u>
<u>Median Gross Revenue</u>	<u>\$629,271</u>	<u>N/A</u>
<u>Average Materials and Labor Expense⁽⁴⁾</u>	<u>\$206,553</u>	<u>2 out of 4 (50%)</u>
<u>Average Materials and Labor Expense as Percentage of Gross Revenue</u>	<u>31.1%</u>	<u>2 out of 4 (50%)</u>
<u>Median Materials and Labor Expense</u>	<u>\$219,541</u>	<u>N/A</u>
<u>Median Materials and Labor Expense as Percentage of Gross Revenue</u>	<u>34.9%</u>	<u>N/A</u>
<u>Average Rent Expense⁽⁵⁾</u>	<u>\$75,326</u>	<u>1 out of 4 (25%)</u>
<u>Average Rent Expense as</u>	<u>11.3%</u>	<u>1 out of 4 (25%)</u>

<u>Percentage of Gross Revenue</u>		
<u>Median Rent Expense</u>	<u>\$53,300</u>	<u>N/A</u>
<u>Median Rent Expense as Percentage of Gross Revenue</u>	<u>8.5%</u>	<u>N/A</u>

(1) The 4 Studios that this table includes are 2 franchised Studios and 2 affiliate-owned Studios.

(2) “Gross Revenue” means all revenue (less tips) derived from sales of products and services to customers of the L.A. BIKINI Studio.

(3) The high gross revenue was \$1,129,117 and the low gross revenue was \$268,623.

(4) The high materials and labor expense was \$300,487 and the low materials and labor expense was \$86,643.

(5) The high rent expense was \$150,382 and the low rent expense was \$44,324.

FRANCHISED OUTLETS IN OPERATION
AT LEAST 24 MONTHS AS OF DECEMBER 31, 2021⁽¹⁾

<u>Calendar Year 2021</u>		
<u>Annual Average</u>		<u>Number and Percentage of Studios Exceeding the Average</u>
<u>Average Gross Revenue⁽²⁾</u>	<u>\$378,230</u>	<u>1 out of 2 (50%)</u>
<u>Median Gross Revenue⁽³⁾</u>	<u>N/A</u>	<u>N/A</u>
<u>Average Materials and Labor Expense</u>	<u>\$170,911</u>	<u>1 out of 2 (50%)</u>
<u>Average Materials and Labor Expense as Percentage of Gross Revenue</u>	<u>45.2%</u>	<u>1 out of 2 (50%)</u>
<u>Median Materials and Labor Expense</u>	<u>\$219,541</u>	<u>N/A</u>
<u>Median Materials and Labor Expense as Percentage of Gross Revenue</u>	<u>34.9%</u>	<u>N/A</u>
<u>Average Rent Expense</u>	<u>\$75,326</u>	<u>1 out of 2 (50%)</u>
<u>Average Rent Expense as Percentage of Gross Revenue</u>	<u>14.1%</u>	<u>1 out of 2 (50%)</u>
<u>Median Rent Expense</u>	<u>\$53,300</u>	<u>N/A</u>
<u>Median Rent Expense as Percentage of Gross Revenue</u>	<u>8.5%</u>	<u>N/A</u>

(1) This table segregates out the 2 franchised Studios that were in operation in 2021 that have been in operation for at least 24 months.

(2) “Gross Revenue” means all revenue (less tips) derived from sales of products and services to customers of the L.A. BIKINI Studio.

⁽³⁾ Because this table contains information for the only 2 franchised Studios that were in operation in 2021 that have been in operation for at least 24 months, the average and median calculations would be the same. In addition, this table does not provide high and low figures because doing so would provide the exact figures for the 2 outlets included in this table.

**SYSTEM-WIDE OUTLETS IN OPERATION
FOR MORE THAN 12 MONTHS BUT LESS
THAN 24 MONTHS AS OF DECEMBER 31, 2021⁽¹⁾**

<u>Calendar Year 2021</u>		
<u>Annual Average</u>		<u>Number and Percentage of Studios Exceeding the Average</u>
<u>Average Gross Revenue ^{(2), (3)}</u>	<u>\$278,491</u>	<u>4 out of 6 (66.6%)</u>
<u>Median Gross Revenue</u>	<u>\$313,378</u>	<u>N/A</u>
<u>Average Materials and Labor Expense⁽⁴⁾</u>	<u>\$120,393</u>	<u>3 out of 6 (50%)</u>
<u>Average Materials and Labor Expense as Percentage of Gross Revenue</u>	<u>43.2%</u>	<u>3 out of 6 (50%)</u>
<u>Median Materials and Labor Expense</u>	<u>\$117,387</u>	<u>N/A</u>
<u>Median Materials and Labor Expense as Percentage of Gross Revenue</u>	<u>37.5%</u>	<u>N/A</u>
<u>Average Rent Expense⁽⁵⁾</u>	<u>\$73,909</u>	<u>4 out of 6 (66.6%)</u>
<u>Average Rent Expense as Percentage of Gross Revenue</u>	<u>26.5%</u>	<u>3 out of 6 (50%)</u>
<u>Median Rent Expense</u>	<u>\$76,783</u>	<u>N/A</u>
<u>Median Rent Expense as Percentage of Gross Revenue</u>	<u>24.5%</u>	<u>N/A</u>

⁽¹⁾ The 6 Studios that this table includes are all franchised Studios that reported information to us (6 Studios of 8 total in the System) and this table does not include any affiliate-owned Studios.

⁽²⁾ “Gross Revenue” means all revenue (less tips) derived from sales of products and services to customers of the L.A. BIKINI Studio.

⁽³⁾ The high gross revenue was \$365,878 and the low gross revenue was \$106,574.

⁽⁴⁾ The high materials and labor expense was \$176,310 and the low materials and labor expense was \$61,357.

⁽⁵⁾ The high rent expense was \$82,688 and the low rent expense was \$62,919.

The gross revenue and expense figures are based on the historical results from existing and operating L.A. BIKINI Studios.

Some Studios have sold this amount. There is no assurance you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

We have written substantiation in our possession to support the information provided above. Written substantiation of the information used in preparing this financial performance representation will be made available to you upon reasonable request.

You should use the services of an accountant or other financial professional to help you if you want to prepare budgets or projections. You should consult other sources for financial information, including your financial advisors and our franchisees in order to compare sales experience and to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings, and profits of L.A. BIKINI Studios.

WeOther than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Clay Haley, LAB Holding Company, LLC, 4441 Creekside Avenue, Suite 129, Hoover, Alabama 35422, Tel: 205-~~259369~~-16513895, clay@mylabikini.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Statewide Outlet Summary
 For years ~~2018~~2019 to ~~2020~~2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2018	2	3	1
Franchised Outlets	2019	3	3	0
	2020	3	<u>9</u>	<u>6</u>
Company Owned Outlets (Note 1)	2018 2021	0 <u>9</u>	0 <u>12</u>	0 <u>4</u>
Company Owned Outlets (Note 1)	2019	0	0	0
	2020	0	0	0
Total Outlets	2018 2021	20 <u>20</u>	30 <u>30</u>	10 <u>10</u>
Total Outlets	2019	3	3	0

	2020	3	9	7 6
	<u>2021</u>	<u>6</u>	<u>12</u>	<u>3</u>

Note 1 – An Affiliate of LAB, LAB Hoover, LLC, operates an outlet branded under the L.A. BIKINI Mark similar to the Studios you will operate. An Affiliate of LAB, Waxmatters, LLC, operates an outlet branded under the L.A. BIKINI Mark similar to the Studios you will operate.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For years ~~2018~~2019 to ~~2020~~2021

State	Year	Number of Transfers
Alabama	2018	1
<u>Alabama</u>	2019	0
	2020	0
Texas	2018 2021	1 0
<u>Texas</u>	2019	0
	2020	0
Total	2018 2021	2 0
<u>Total</u>	2019	0
	2020	0
	<u>2021</u>	<u>0</u>

Table No. 3
Status of Franchised Outlets for Years ~~2018~~2019 to ~~2020~~2021

State	Year	Outlets at Start of Year	Outlets Opened	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2018	1	0	0	0	0	1
<u>Alabama</u>	2019	1	1	0	0	0	2
	2020	2	0	0	0	0	2
Florida	2018 2021	0 2	0	0	0	0	0 2
	<u>1</u>						
<u>Florida</u>	2019	0	0	0	0	0	0
	2020	0	1	0	0	0	1
	<u>2021</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Louisiana</u>	<u>2019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
New Jersey	2018 2021	0	0	0	0	0	0
	<u>0</u>						
	<u>2021</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>

<u>New Jersey</u>	2019	0	0	0	0	0	0
	2020	0	1	0	0	0	1
North Carolina	2018 <u>2021</u>	0 <u>1</u>	0	0	0	0	0 <u>1</u>
<u>North Carolina</u>	2019	0	0	0	0	0	0
	2020	0	4	0	0	1	3
Texas	2018 <u>2021</u>	3 <u>3</u>	2 <u>2</u>	0	0	0	4 <u>5</u>
<u>Texas</u>	2019	1	0	0	0	1	0
	2020	0	1	0	0	0	1
Utah	2018 <u>2021</u>	1 <u>1</u>	0 <u>0</u>	0	0	0	1
<u>Utah</u>	2019	0 <u>1</u>	0	0	0	0	1
	2020	1	0	0	0	0	1
Total	2018 <u>2021</u>	2 <u>2</u>	4 <u>4</u>	0	0	0	3 <u>3</u>
<u>Total</u>	2019	3	1	0	0	1	3
	2020	3	7	0	0	1	9
	<u>2021</u>	<u>9</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>

Table No. 4
Status of Company-Owned Outlets for Years 2019 to ~~2020~~2021

State	Year	Outlets at Start of Year	Outlets Opened	Required From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
None (Note 1)	2018 <u>2021</u>	0	0	0	0	0	0
	2019 <u>2020</u>	0	0	0	0	0	0
	2020 <u>2021</u>	0	0	0	0	0	0

Note 1 – An Affiliate of LAB, LAB Hoover, LLC, operates an outlet similar to the Studios you will operate. An Affiliate of LAB, Waxmatters, LLC, operates an outlet similar to the Studios you will operate.

Table No. 5
Projected Openings as of December 31, ~~2020~~2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year

Alabama	0	0	0
Florida	0	2 <u>1</u>	0
Louisiana <u>Georgia</u>	0	1	0
New Jersey <u>Louisiana</u>	0	0 <u>1</u>	0
North Carolina <u>New Jersey</u>	0	1	0
Texas <u>North Carolina</u>	0	2	0
<u>Texas</u>	<u>0</u>	<u>1</u>	<u>0</u>
Total	0	6 <u>7</u>	0

List of Current Franchisees

Our current franchisees are listed in Exhibit H.

List of Former Franchisees

Our former franchisees are listed in Exhibit I.

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

There are no franchisees who have signed a confidentiality agreement that restricts a current or former franchisee from discussing his or her experience as a franchisee in the L.A. Bikini System during the last three years.

There are no trademark-specific franchisee associations that are associated with the franchise system being offered in this Disclosure Document.

ITEM 21: FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit F are our audited, fiscal year-end financial statements for ~~2018,~~ 2019, ~~and~~ 2020, and 2021.

ITEM 22: CONTRACTS.

Exhibit C – Franchise Agreement and Exhibits

Exhibit D – Multi-Unit Development Agreement and Exhibits

ITEM 23: RECEIPTS

We have attached as the last two (2) pages of this disclosure document detachable documents acknowledging your receipt of this disclosure document.

Exhibit A

List of State Franchise Administrators

STATE FRANCHISE ADMINISTRATORS

CALIFORNIA

Department of Financial Protection & Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
1-866-ASK-CORP (1-866-275-2677)

HAWAII

Business Registration Division
Dep't of Commerce and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813

ILLINOIS

Franchise Division
Office of the Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
Indiana Securities Commission
302 West Washington Street Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Division of Securities
200 St Paul Place, 20th Floor
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Office of Attorney General
Consumer Protection Division
G. Mennen Williams Building
525 W. Ottawa Street
P.O. Box 30213
Lansing, Michigan 48909

MINNESOTA

Department of Commerce
Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, Minnesota 55101-3165

NEW YORK

Bureau of Investor Protection
and Securities
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271

NORTH DAKOTA

Office of the Securities Commissioner
State of North Dakota
600 East Boulevard Avenue, Fifth Floor
Bismarck, North Dakota 58505

RHODE ISLAND

Department of Business Regulation
Securities Regulation
1511 Pontiac Avenue, Bldg. 68-2
Cranston, Rhode Island 02920

SOUTH DAKOTA

South Dakota Department of Labor & Regulation
Securities Regulation
124 S. Euclid Avenue, 2nd Floor
Pierre, South Dakota 57501

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WISCONSIN

Department of Financial Institutions
Division of Securities
201 W. Washington Avenue
Madison, Wisconsin 53703

Exhibit B

List of Agents for Service of Process

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Department of Financial Protection & Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

HAWAII

Business Registration Division
Dep't of Commerce and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813

ILLINOIS

Franchise Division
Office of the Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
Indiana Securities Commission
302 West Washington Street Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Division of Securities
200 St Paul Place, 20th Floor
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Office of Attorney General
Consumer Protection Division
G. Mennen Williams Building
525 W. Ottawa Street
P.O. Box 30213
Lansing, Michigan 48909

MINNESOTA

Department of Commerce
Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, Minnesota 55101-3165

NEW YORK

Secretary of State of the State of New York
99 Washington Avenue
Albany, New York 12231

NORTH DAKOTA

Office of the Securities Commissioner
State of North Dakota
600 East Boulevard Avenue, Fifth Floor
Bismarck, North Dakota 58505

RHODE ISLAND

Department of Business Regulation
1511 Pontiac Avenue, Bldg. 68-2
Cranston, Rhode Island 02920

SOUTH DAKOTA

South Dakota Department of Labor & Regulation
Securities Regulation
124 S. Euclid Avenue, 2nd Floor
Pierre, South Dakota 57501

VIRGINIA

Clerk, State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, Virginia 23219

WASHINGTON

Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WISCONSIN

Department of Financial Institutions
Division of Securities
201 W. Washington Avenue
Madison, Wisconsin 53703

Exhibit C

Franchise Agreement and Exhibits

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 20__, between LAB Holding Company, LLC, a Delaware limited liability company, with its principal office at 4441 Creekside Avenue, Suite 129, Hoover, Alabama 35244 (“LAB Holding,” “Franchisor,” the “Company,” or “Us”) and _____ whose principal address is _____ (“Franchisee” or “You”).

RECITALS

WHEREAS, Franchisor is the sole and exclusive owner of the right to license a proprietary system for the temporary removal of body and facial hair using certain proprietary products, which is offered under the trade name and licensed and federally registered trademark L.A. BIKINI (the “L.A. Bikini System”); and

WHEREAS, Franchisee wishes to obtain the right from Franchisor to operate an L.A. Bikini Studio business pursuant to the L.A. Bikini System, all on the terms and conditions of this Agreement;

NOW, THEREFORE, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows:

1. GRANT OF FRANCHISE AND RENEWAL PROCEDURES

1.1 Grant of Franchise

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions of this Agreement, the exclusive right and license to operate one (1) L.A. Bikini Studio (the “Studio”) using the L.A. Bikini System (as defined in this Agreement) and to use the names and Marks (or “Marks,” both as defined in this Agreement) during the Term solely at the location identified in Exhibit A to this Agreement (the “Location”). Franchisee may not operate the Studio from any other location, and Franchisee may not relocate the Studio for any purpose without the express prior written approval and consent of Franchisor. Franchisee also may not sell any products or services at any other location or through any other channel of distribution other than at, and through, the Location identified in Exhibit A. For purposes of this Agreement, the “Marks” or “Marks” are the marks set forth on Exhibit E to this Agreement, as Exhibit E may be amended from time to time by sole action of Franchisor.

1.2 Approved Location

If, at the time this Agreement is executed, a location for Franchisee’s Studio is not identified or obtained by Franchisee and approved by Franchisor, Franchisee shall lease or acquire a location within ninety (90) days after the date of this Agreement. The location of Franchisee’s Studio shall be within the site selection territory (the “Site Selection Territory”) identified on Exhibit A by a map or written description. Franchisee may operate its Studio from only one location

situated within the Site Selection Territory. Franchisee's failure to lease or acquire a location for the Studio within this period of time shall constitute a default under this Agreement. After the Location is identified by Franchisee and approved by Franchisor, so long as Franchisee is not in default under this Agreement and all other related agreements, and except as provided in this Agreement, Franchisor, its affiliates, subsidiaries and designees shall not operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the protected area (the "Protected Area" identified on Exhibit A by a map, zip codes, or written description).

Franchisee acknowledges and agrees that the Protected Area will be different, and in most cases, smaller than, the Site Selection Territory. You authorize us to complete Exhibit A to define the Location and the Protected Area in the event that a Location and the Protected Area is not identified at the time this Agreement is executed. Franchisee acknowledges and agrees that this Agreement confers no marketing exclusivity in the Protected Area on Franchisee, and that all L.A. Bikini studios may solicit, service, advertise and offer their products and services to any individual or entity, regardless of his or its geographic location, including within Franchisee's Protected Area.

1.3 Rights Reserved By Franchisor

Franchisor (on behalf of itself and its licensors) retains all rights with respect to L.A. Bikini System, the Marks, the sale of Products (as defined in Section 5.6) and any other products and services, anywhere in the world, including, without limitation, the right to (a) own, operate, situate and/or license others to operate L.A. Bikini Studios anywhere outside the Protected Area, as Franchisor considers appropriate, including within close proximity to the Location or the Protected Area; (b) offer and sell products and services within the Protected Area that are not part of the L.A. Bikini System through any distribution method; (c) offer and sell within the Protected Area (either themselves or through franchisees) those products and services which this Agreement contemplates Franchisee will offer and sell, on the termination or expiration of this Agreement, or upon Franchisee's uncured breach; (d) to operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the Protected Area on the termination or expiration of this Agreement, or upon Franchisee's uncured default of this Agreement; and/or (e) offer, sell and/or otherwise distribute, at wholesale or retail, and under other names and marks, the Products (as defined in Section 5.6), components thereof or variations thereon, which now or in the future are a part of the L.A. Bikini System, to any person or entity, both within and outside Franchisee's Protected Area, from and/or to any location whatsoever. Franchisor or licensors may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever, provided the Franchisor will not open or operate, nor license, franchise or otherwise authorize the opening of another Studio within the Protected Area in the exercise of its reserved rights in this Section 1.3(e). Franchisee understands and acknowledges that this Agreement does not grant Franchisee any rights with respect to such sales whether conducted now or in the future. All rights not expressly granted to Franchisee are reserved to Franchisor.

1.4 Initial Term

Unless otherwise terminated as provided for in this Agreement, this Agreement shall be effective and binding from the date of its execution by Franchisor for an initial term (the “Initial Term”) of ten (10) years.

1.5 Renewal Term

Franchisee shall have the right to renew this Agreement before the expiration of its Initial Term for an unlimited number of additional successive terms of ten (10) years each (each, a “Renewal Term”), upon payment at the conclusion of each Renewal Term of the Renewal Fee, which shall be in an amount equal to twenty-five percent (25%) of the initial franchise fee that Franchisee paid to Franchisor upon execution of this Agreement, and only if all of the conditions hereinafter set forth have been fulfilled:

1. Franchisee has substantially complied with all of the provisions of this Agreement during its initial or renewal term.

2. Franchisee maintains possession of the Location and before the expiration date of this Agreement has brought the Studio into full compliance with the specifications and standards then applicable for new or renewing L.A. Bikini studios, and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Location for the duration of any Renewal Term, or, in the event Franchisee is unable to maintain possession of the Location or, in the judgment of Franchisor, the Studio should be relocated, Franchisee secures a substitute location approved by Franchisor and has furnished, stocked and equipped such premises to bring the Studio at its substituted location into full compliance with the then current specifications and standards before the expiration date of this Agreement.

3. Franchisee has given notice of renewal to Franchisor as provided in this Agreement.

4. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and affiliates and has timely met these obligations throughout the term of this Agreement.

5. Franchisee has executed, upon renewal, Franchisor’s then-current form of the Franchise Agreement (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede in all respect this Agreement and the terms of which may differ from the terms of this Agreement including, without limitation, different percentages for Continuing Royalty Fees and Brand Development Fees; however, the Protected Territory shall not change on any renewal;

6. Franchisee has complied with Franchisor’s then-current qualifications and training requirements.

7. Franchisee has executed and delivered a general mutual release, in a form reasonably prescribed by Franchisor, by which Franchisor and Franchisee release any and all

claims against one another, their subsidiaries, affiliates and their respective officers, directors, agents, shareholders and employees.

If Franchisee desires to renew this Agreement, then Franchisee shall give Franchisor written notice of its desire to renew at least nine (9) months, but not more than twelve (12) months, prior to the expiration of the Initial Term of this Agreement. Within ninety (90) days after its receipt of such timely notice, Franchisor shall furnish Franchisee with written notice of: (1) reasons which could cause Franchisor not to accept any such renewal notice including, but not limited to, any deficiencies which require correction and a schedule for correction thereof by Franchisee, and (2) Franchisor's then-current requirements relating to the images, appearance, decoration, furnishing, equipping and stocking of L.A. Bikini studios and a schedule for effecting upgrading or modifications in order to bring the Studio in compliance with those requirements, as a condition of renewal. Renewal of the franchise shall be conditioned upon Franchisee's compliance with those requirements and continued compliance with all the terms and conditions of this Agreement up to the date of expiration of the Initial Term or as set forth in writing by Franchisor. However, Franchisor agrees that the cost of such upgrading and modifications will be commercially reasonable and in no event will exceed \$100,000.

Franchisor shall give Franchisee written notice of its election not to renew the franchise at least six (6) months prior to the expiration of the Initial Term of this Agreement. Such notice shall specify the reasons for non-renewal.

2. INITIAL FRANCHISE FEE

2.1 Initial Franchise Fee

In consideration of the execution of this Agreement by Franchisor, Franchisee agrees to pay Franchisor an Initial Franchise Fee of Thirty-Five Thousand Dollars (\$35,000) The Initial Franchise Fee is payable in immediately available funds upon Franchisee's execution of this Agreement and is deemed fully earned by Franchisor upon receipt. The Initial Franchise Fee is not refundable under any circumstances.

3. SITE SELECTION REQUIREMENTS

3.1 Studio Location

Franchisee shall operate its franchised Studio only at and from the Location. Under this Agreement, "Location" means the single location within the Site Selection Territory that is selected by Franchisee and approved by Franchisor. Franchisor may assist Franchisee in its efforts to select a suitable Location within the Site Selection Territory for its Studio, but Franchisee acknowledges and agrees that it is and will remain the ultimate responsibility of Franchisee to select and choose the Location.

Immediately following Franchisee's selection of a proposed site for the Location of the Studio, Franchisee shall deliver to Franchisor all the information Franchisor may request to evaluate the site, as provided in its Manual or otherwise (as defined in this Agreement) or otherwise by written or other communication. If Franchisor does not communicate its approval or disapproval of the proposed site for the Studio Location to Franchisee within fifteen (15) business days

following Franchisor's receipt of the delivery of all such requested information, the proposed site for the Studio Location will be deemed approved by Franchisor as the Studio Location pursuant to this Agreement.

3.2 Studio Location Lease

Immediately following Franchisor's written approval of a proposed Studio Location, and not more than ~~forty-five~~ninety (~~45~~90) days from the execution of this Agreement by Franchisor, Franchisee shall deliver to Franchisor a copy of any proposed lease for the Studio Location and any proposed related documents. Any lease, sublease or other rental agreement for the Studio Location (each, as applicable, a "Lease") will be subject to Franchisor's prior written approval, which Franchisor may not unreasonably withhold or delay. If Franchisor does not communicate its approval or disapproval of the proposed lease or sublease to Franchisee within fifteen business days following Franchisor's receipt of same, the proposed lease or sublease will be deemed approved by Franchisor as the Lease pursuant to this Agreement.

A. With regard to any such Lease:

1. Franchisee may not create any obligations on behalf of Franchisor, grant any rights against Franchisor or agree to any other term, condition, or covenant which is inconsistent with any term of this Agreement.

2. Franchisee agrees to duly and timely perform all terms, conditions, covenants and obligations under the Lease.

3. Except as otherwise provided in this Agreement, Franchisee may not assign, charge, encumber or transfer its Lease, or sublet all or any part of the Studio Location, without Franchisor's prior written approval.

B. All Leases or other agreements entered into by Franchisee to secure the Studio Location must contain provisions acceptable to Franchisor and which provide, at a minimum, that:

1. After the expiration or termination of this Agreement for any reason, Franchisor shall have the option for thirty (30) days to cure any defaults, at Franchisor's election, either to assume the obligations of and replace Franchisee as the lessee under the Lease, or to have its designee (including, but not limited to another franchisee) assume the obligations of and replace Franchisee as the lessee under the Lease, and, if Franchisor has assumed the obligations of and replaced Franchisee as the lessee under the Lease, to reassign the Lease to its designee.

2. The lessor or sublessor will furnish to Franchisor written notice specifying any default and the method of curing the default, allow Franchisor thirty (30) days after receipt of the notice to cure the defaults (except that if the default is the non-payment of rent, Franchisor will have only fifteen (15) days from receipt of notice to cure the default), and, allow Franchisor to exercise its option for Franchisor or its designee, who is acceptable to the lessor, to succeed to Franchisee's interest in the Lease.

3. The lessor or sublessor will accept Franchisor or its designee, and who is acceptable to the lessor, as a substitute tenant under the Lease upon notice from Franchisor that it is exercising its option for Franchisor or its designee to succeed to Franchisee's interest in the Lease and/or to reassign the Lease to Franchisor's designee following Franchisor's assumption of obligations under the Lease, pursuant to the form of agreement attached as Exhibit G to this Agreement.

4. The lessor or sublessor acknowledges that Franchisee alone is responsible for all debts, payments and performances under the Lease before Franchisor or its designee takes actual possession of the leased premises.

5. The Lease may not be modified or amended without Franchisor's prior written consent. The lessor will promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the executed modifications and amendments.

6. Following the expiration or termination of this Agreement for any reason, Franchisor may enter the premises to remove the Marks and other proprietary property or property containing the Marks.

7. The lessor or sublessor will not lease space in the shopping center, building, or plaza to a tenant who offers hair removal services in the form of sugaring, waxing, or threading services.

3.3 Government Approvals, Consents and Licenses

It will be Franchisee's sole responsibility to promptly seek and obtain all government and quasi-governmental approvals, consents and licenses required to open and operate the Studio. Franchisee undertakes to use all possible efforts to obtain all required approvals, consents and licenses. Franchisor makes no representation or warranty of any kind that Franchisee will be able to obtain all required approvals, consents and licenses.

3.4 Relocation of the Franchised Studio

Franchisee may not relocate its Studio to another location without first obtaining Franchisor's written approval, which may be withheld for any reason or no reason. Any permitted relocation will be at Franchisee's sole expense. All leases, subleases or other agreements that Franchisee enters into to relocate the Studio must conform to the provisions of this Agreement. At the time Franchisee requests from Franchisor the right to relocate, Franchisee shall pay Franchisor the sum of Five Thousand Dollars (\$5,000.00) for costs and other expenses Franchisor may incur in its consideration of the request. That payment is not refundable under any circumstances.

3.5 No Guarantee Of Success

Franchisee acknowledges that any advice or assistance by Franchisor regarding site selection, its proposal or suggestion of any location, and/or, its exercise of its rights of inspection or approval, are not meant to be relied on or construed in any way as a representation, express or implied warranty, or any other indicia of the prospective profitability, viability or merit of any location. Franchisor makes no representations or warranties about the location whatsoever and hereby

disclaims all warranties or representations that may be implied in law or in fact concerning the location.

4. LEASEHOLD IMPROVEMENTS, FIXTURES, EQUIPMENT AND SIGNS

4.1 Buildout of Studio, Layout and Specifications

Franchisor will furnish Franchisee with a sample layout for the interior of a typical L.A. Bikini Studio and a set of typical preliminary plans and specifications for furniture, fixtures, equipment and/or décor. Franchisee agrees, at its expense, to employ licensed architects (which architect will be approved by Franchisor), designers, engineers or others as necessary to complete, adapt, modify or substitute the layout, plans and specifications for the Studio. Franchisee agrees to submit to Franchisor a complete set of final plans and specifications before commencing construction of the Studio. Franchisor will review the final plans and specifications promptly and either approve them or provide comments to Franchisee. Franchisee may not begin construction of the Studio until Franchisor has approved the final plans and specifications in writing. Before Franchisor approves Franchisee's final plans and specifications, Franchisee's general contractor and architect shall certify to Franchisor that the plans and specifications for the Studio comply with the Americans with Disabilities Act (the "ADA"), the architectural guidelines under the ADA, and all applicable state and local codes for accessible facilities. Among other reasons for disapproval of construction plans and specifications, Franchisee acknowledges and agrees that Franchisor will not approve plans and specifications without the certification of ADA compliance. Franchisee agrees, at its expense, to make all leasehold improvements and install all fixtures, furniture and equipment at the Studio required to comply with Franchisor's then-current requirements and specifications. Franchisor will consult with Franchisee, to the extent Franchisor considers necessary, on the construction and equipping of the Studio, but it will be Franchisee's sole responsibility to diligently construct, equip, prepare to open, and open the Studio.

4.2 Construction, Inspection and Opening

Franchisee agrees to employ a licensed general contractor to perform construction work for the Studio. Franchisee agrees that in no event shall there be more than six sugaring treatment rooms built or otherwise used in the Studio at any time, unless approved by Franchisor in writing prior to or at the time the Location is identified by Franchisee and approved by Franchisor. Franchisee acknowledges that Franchisor's approval of more than six sugaring treatment rooms will be in Franchisor's sole and absolute discretion. Franchisee shall obtain Franchisor's written approval for all changes to the Studio plans furnished by Franchisee before construction or implementing the changes. Franchisee will provide access to Franchisor to the Studio Location while construction is in progress. Franchisor may require any reasonable alterations or modifications of the construction of the Studio it considers necessary. If Franchisee fails to promptly begin the design, construction, equipping and opening of the Studio with due diligence, then that failure will be grounds for the termination of this Agreement. Upon completion of construction and before the commencement of operations of the franchised Studio, Franchisee shall cause its general contractor to provide Franchisor with a certificate stating that the as-built plans for the Studio comply with the ADA, the architectural guidelines under the ADA, all applicable state

and local codes for accessible facilities, and, all other federal, state and local laws, rules or regulations applicable to the Studio.

Franchisor will have the right, but not the obligation, to conduct a final inspection of the completed Studio. Franchisor may require any corrections and modifications it considers necessary to bring the Studio into compliance with the plans and specifications approved by Franchisor. Franchisee shall not open the Studio if it does not conform to the approved plans and specifications, including changes approved by Franchisor. If Franchisee does not promptly correct any unauthorized variance from the approved plans and specifications, then that failure will be grounds for termination of this Agreement.

4.3 Indemnification of Franchisor

Franchisor will have no responsibility or liability for the acts, errors or omissions of Franchisee, its general contractors, architects, designers, or engineers. Franchisor will not be liable for any loss or damage arising from the construction, design or plan of the Studio, whether because of its approval of plans and specifications or for any other reason. Franchisee agrees to and does hereby indemnify, defend, and hold harmless Franchisor for any loss, cost or expense, including attorneys' and experts' fees, which Franchisor sustains because of the acts, errors or omissions of Franchisee, its contractors, architects, designers, or engineers arising out of or related to the design, construction or outfitting of the Studio, whether or not approved by Franchisor.

4.4 Signage

Franchisee agrees to use Franchisor's designated sign vendor as identified in the Manual or otherwise. All exterior and interior signs used in connection with the franchised Studio (including those related to pre-opening) must conform to Franchisor's sign criteria as to type, color, size, design and location. All signs must be approved in writing by Franchisor before installation or display.

5. DUTIES OF FRANCHISOR

5.1 Confidential Operating Manual

During the term of this Agreement, Franchisor shall loan Franchisee one (1) copy of its confidential operations manual (the "Manual") through a medium chosen by Franchisor, and may supplement the Manual with e-mails and other communications. Franchisee agrees to operate its Studio in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed from time to time in the Manual or otherwise through written communications (including, but not limited to email). Franchisor shall have the right to add to and otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for L.A. Bikini studios. All additions to, deletions from or revisions of the Manual, will be deemed a part of the Manual, and will become binding on Franchisee as if originally set forth in the Manual, upon being delivered to Franchisee. Franchisor agrees that no provision of the Manual will materially conflict with the Franchisee's obligations pursuant to this Agreement, and the Manual

may not impose new or different fees, charges, or expenses, or alter the amount or the frequency of required payments to Franchisor.

Franchisee agrees to immediately adopt and use the products, services, programs, materials, standards, specifications, policies, methods, procedures and techniques set forth in modifications or supplements to the Manual. The Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement, and Franchisee agrees that it, its agents, independent contractors, and employees will treat the Manual and the information contained in it as confidential, and subject to treatment as confidential information pursuant to the Confidentiality/Non-Compete Agreement that Franchisee and its employees are required to sign in a form substantially the same as the agreement attached to this Agreement as Exhibit C. Franchisee agrees to ensure at all times that its copy of the Manual is current and up-to-date. If there is any dispute as to Franchisee's compliance with the provisions of the Manual and any supplements to the Manual, the master copy of the Manual maintained by Franchisor (including its additions, deletions, or revisions) shall control.

5.2 Initial Training Program

Franchisor shall make an initial training program available to Franchisee and up to six (6) employees, including up to four (4) sugarists (the "Initial Training Program"). The Initial Training Program shall include the Management Training Program (the "Management Training Program") for Franchisee and managers and the Sugarist Training Program (the "Sugarist Training Program") for sugarists. These training programs and may include classroom and on-the-job training. Franchisee and its manager and sugarists are required to attend and successfully complete the Initial Training Program at least two weeks prior to the Studio opening for business. The Initial Training Program shall be conducted at a site designated by Franchisor, which may include either Franchisee's Location, an existing L.A. Bikini Studio, or another location selected by Franchisor. Franchisor will determine and notify Franchisee of the date of commencement of the Initial Training Program. The actual cost for the Initial Training Program will be included in the Initial Franchise Fee. Franchisee agrees to pay all expenses incurred by its trainees and itself in connection with training, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses. If Franchisor reasonably concludes that either Franchisee, its Studio Managers and/or sugarists have failed to attend or successfully complete Franchisor's Initial Training Program, then Franchisor may require that that person enroll in additional training for an additional charge. Franchisor reserves the right to determine the duration and subject matter of its training programs.

5.3 On-Site Training

Franchisor shall provide Franchisee with on-site training and assistance at the Location immediately before and after the commencement of operations of the Studio, in its discretion. There will be no additional charge for this training. Franchisor is not obligated to provide any additional on-site training or assistance, but if it elects to do so, it may impose a fee for each day of additional on-site training or assistance it agrees to provide beyond any training immediately before and after the commencement of operations of the Studio. In addition to the fee imposed by Franchisor, Franchisee shall also pay all expenses incurred by Franchisor in connection with

such additional on-site training, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses.

5.4 Sugarist Training

All sugarists are required to attend training and pass a ~~certification~~ qualification standard administered by Franchisor or its designee. Any sugarist hired or appointed by Franchisee after the commencement of the Initial Training Program shall attend and successfully complete Franchisor's next scheduled Initial Training Program. Franchisee shall pay an additional charge, as then stated in the Manual or otherwise, to Franchisor for training such additional sugarists and managers. If Franchisee requests more than four (4) sugarists to attend the Initial Training Program, as provided for in Section 5.2 of this Agreement, then Franchisee shall pay this additional charge for each additional sugarist Franchisee requests. Franchisee shall also pay an additional charge, as then stated in the Manual or otherwise, to Franchisor for re-training of any of Franchisee's sugarists in the event Franchisor determines, in its sole discretion and after an evaluation, that a sugarist must be re-trained, or in the event that a sugarist ceases working for the Studio for more than thirty (30) consecutive days. Franchisee shall also pay all expenses incurred in connection with training and ~~re-certification~~re-qualification, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses. Franchisor will provide up to two (2) training sessions for sugarists per year at no additional charge to you. The Initial Training Session counts as one of those training sessions for Franchisee's first year of operations. Those additional training sessions will be limited to ~~two~~three (23) sugarists at a training session. If Franchisee requests, or if Franchisor requires, additional training (either sessions beyond two sessions or more than ~~two~~three sugarists per session), then Franchisor reserves the right to charge a fee for the additional sessions or the additional attendees, at rates set forth in the Manual or otherwise.

5.5 Operating Assistance

Franchisor will furnish to Franchisee such assistance in connection with the operation of the Studio as is from time to time deemed appropriate by Franchisor in its sole discretion. This assistance may be provided by Franchisor in person, by telephone, or through any other means it deems appropriate. Franchisee understands and agrees that all advice and guidance provided by Franchisor is only supportive of the operation of the Studio and that the overall success of the Studio is primarily dependent upon Franchisee's business abilities and efforts.

5.6 Products and Supplies

Franchisee shall cause the Studio to conform to Franchisor's specifications and quality standards as specified in the Manual or otherwise, and shall purchase only from distributors and suppliers approved by Franchisor (which may include Franchisor or affiliates), all Products, products, equipment, fixtures, furnishings, supplies, signs, inventory and other materials. Franchisee shall also use Franchisor's then-current required vendors for services necessary to establish or operate the Studio, which Franchisor establishes from time to time as set forth in the Manual or otherwise. Franchisor has the right to change Franchisor's approved and required vendors, distributors and suppliers in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense. Franchisee

acknowledges and understands that Franchisor and/or its affiliates, or suppliers authorized by Franchisor may be the only supplier of Products and other items, products, materials and/or services to Franchisee, and that the cost of the Products may be higher than the cost of the same or similar products that may be purchased elsewhere. Franchisor shall have the right during the Initial Term of this Agreement (and any Renewal Term of any renewal agreement) to amend, alter, add to, delete, or revise the Products that Franchisee is required to purchase directly from Franchisor, its affiliates, or approved suppliers. Franchisee acknowledges that Franchisor and/or its affiliates may make a profit on the sale of Products and other products to Franchisee.

Franchisee further understands that Franchisor and/or its affiliates may from time to time receive consideration from manufacturers, suppliers, vendors and/or other third parties in respect to sales of products or services to Franchisee or in consideration of services rendered or rights licensed to such persons. Franchisee agrees that Franchisor and/or Franchisor's affiliates shall be entitled to said profits and/or consideration. The "Products" are those consumable products generally used in the L.A. Bikini Studios, including, but not limited to, sugar preparations and associated items used in the providing of sugaring services. Franchisor expressly reserves the right to revise the definition of "Products" at any time during the term of this Agreement. Franchisor shall not be liable to Franchisee in the event that a supplier (including Franchisor or an affiliate) is not able to fulfill an order for Products placed by Franchisee.

5.7 Pricing

Franchisor may from time to time suggest prices for products or services offered and sold by Franchisee's L.A. Bikini Studio. Franchisor and Franchisee agree that any list or schedule of such prices suggested by Franchisor will be recommendations only and not be mandatory on Franchisee.

6. DUTIES OF FRANCHISEE

6.1 Commencement of Operations

A. Franchisee shall commence the operation of its Studio within 180 days of the date of execution of this Agreement by Franchisor and no later than seven days after the receipt of Franchisor's written approval to open as provided below.

B. Before commencing operations, Franchisee agrees to fulfill all the pre-opening obligations called for by this Agreement including (but not limited to) its obligations to:

1. Have its Studio Manager (and Franchisee himself or herself) and sugarists attend and satisfactorily complete Franchisor's Initial Training Program.

2. Procure a proposed lease for an acceptable Studio Location within ~~Forty-Five~~ (45)ninety (90) days after the execution of the Agreement.

3. Procure an acceptable Studio Location within Ninety (90) days after the execution of the Agreement.

4. Complete construction, remodeling, refurbishing and/or decorating of Franchisee's Studio, including installing all furniture, fixtures, signs, equipment, furnishings, and telephone and computer systems.
5. Obtain all required Studio, building, zoning and other permits and licenses.
6. Employ and train all Studio staff.
7. Purchase the opening inventory package of Products and other products and supplies from Franchisor or its approved suppliers or designees.
8. Pay all amounts then due to Franchisor.
9. Provide Franchisor with the evidence of insurance coverage required under this Agreement.
10. Do all other acts necessary to make the Studio ready to begin operations.
11. Obtain Franchisor's written approval for the commencement of operations of the Studio.
12. Comply with all pre-opening procedures required by Franchisor in the Manual or otherwise, including those related to marketing, advertising and promotional activities.

6.2 Manner of Operation

Franchisee agrees that it will operate the Studio all times in compliance with the L.A. Bikini System, including all standards, procedures and policies Franchisor from time to time establishes in its Manual or otherwise, as though specifically set forth in this Agreement. Franchisee agrees to offer and sell all products, services and programs, and disseminate to the public all promotional and other materials, which are specified by Franchisor and made part of the L.A. Bikini System.

6.3 Maintenance and Repair, Periodic Renovation

A. At all times during the term of this Agreement, Franchisee agrees that it shall maintain the interior and exterior of its Studio, and to keep and maintain the premises, the products, and all equipment, furniture, decorating, and signs in or at the Studio in the highest degree of cleanliness, maintenance, condition and repair. Franchisee may make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Studio without the prior written consent of Franchisor.

B. Franchisor shall have the right to require Franchisee to periodically renovate, refurbish and update its Studio to ensure that it is in substantial conformity with Franchisor's then-current L.A. Bikini Studio design. Franchisee agrees that it shall renovate, refurbish and update its Studio in accordance with those standards and specifications then prescribed by Franchisor. Notwithstanding the foregoing, Franchisor agrees that it will not require, and Franchisee is not obligated to make any renovation, refurbishment, or update to the Studio in the

final three years of the Initial Term or any Renewal Term that will require an out-of-pocket expenditure exceeding \$25,000.

6.4 Modifications to the L.A. Bikini System

Franchisee agrees that Franchisor may from time to time change the components of the L.A. Bikini System, including, but not limited to, altering the products (including the Products), services, programs, methods, standards, forms, policies and procedures of the system, adding to, deleting from or modifying those products (including the Products), services and programs which Franchisee's Studio is authorized to offer, and, changing, improving, modifying, adding to or deleting from the Marks. Subject to the other provisions of this Agreement, Franchisee agrees to abide by any of these modifications, changes, additions, deletions and alterations.

6.5 Compliance with Laws, Rules and Regulations

Franchisee agrees to operate the Studio in strict compliance with all applicable laws, rules and regulations of all governmental authorities, comply with all applicable wage, hour and other laws and regulations of federal, state and local governments, prepare and file all necessary tax returns, and, pay all taxes imposed on Franchisee related to the Studio. Franchisee agrees that it is responsible for compliance with all applicable laws, rules and regulations, including, without limitation, the Americans with Disabilities Act. Franchisee shall obtain all required licenses, permits and other required forms of governmental approval for Franchisee to offer and sell the products and services which now or in the future are or become part of the L.A. Bikini System, including (without limitation) health permits, shall maintain such licenses and permits in full force and effect and good standing throughout the term of this Agreement. Franchisee shall forward to Franchisor copies of all health, sanitation or other regulatory agency reports to Franchisor immediately upon receipt thereof. Franchisee shall take prompt and effective action to correct any violation set forth in a notice issued by any governmental or municipal authority concerning such licenses and permits.

6.6 Franchisee Participation in Operation of Studio, Studio Manager

If Franchisee is an individual, Franchisee agrees to personally and directly supervise the operation of the Studio, unless otherwise permitted in writing by Franchisor. If Franchisee is an entity, then Franchisee agrees that it will appoint a single person to perform those functions, which person will be subject to the approval of Franchisor (a "Studio Manager"). Franchisee agrees to devote the amount of its time, attention and best efforts to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Studio. The Studio shall at all times be under the direct, on-site supervision of Franchisee or the Studio Manager, or an assistant manager who has successfully completed Franchisor's Initial Training Program. Franchisee shall inform Franchisor in writing as to the identity of its Studio Manager and any successor Studio Managers. Each Studio Manager must receive Franchisor's prior written approval. Franchisee's Studio Manager will have day-to-day management responsibility for the Studio, exercise on-premises supervision, and personally participate in the direct operation of the Studio. Each Studio Manager must complete to Franchisor's satisfaction, the

Initial Training Program. Upon the death, disability, or termination of employment of Franchisee's designated Studio Manager, Franchisee agrees to immediately notify Franchisor. Franchisee agrees to designate a successor or acting Studio Manager no later than ten days following the death, disability or termination of the predecessor Studio Manager. Each successor Studio Manager must be approved by Franchisor, attend and successfully complete Franchisor's next available Initial Training Program, and complete any other reasonable training at the times Franchisor specifies, with all such training conducted at Franchisee's sole expense.

6.7 Staffing Requirements and Qualifications

All personnel employed by Franchisee shall maintain the standards of appearance, manner and demeanor established by Franchisor in its Manual or otherwise. Franchisee shall not employ any person who Franchisor reasonably requires to complete a training program (whether to be conducted by Franchisor or Franchisee) but who has failed to do so for any reason whatsoever.

6.8 Requirements Concerning Products and Services

Franchisee must purchase certain products, supplies, equipment, materials and services required for the operation of the Studio only from suppliers designated in writing by Franchisor, from suppliers selected by Franchisee and approved in writing by Franchisor, and in accordance with Franchisor's written specifications. Franchisee will be required to purchase all of the Products only from Franchisor, its affiliates, or from suppliers designated or approved by Franchisor.

Franchisor may approve other suppliers of required non-Products that are not then designated by Franchisor as an approved supplier. Franchisee must notify Franchisor in writing of the product, material or supplies and of the proposed supplier. Franchisee must submit samples of the product and any other information as Franchisor may require for testing or to otherwise determine whether the product, material or supplies, or the proposed supplier meets Franchisor's specifications and quality standards. Franchisee will be responsible for all costs associated with such testing. Franchisor will send Franchisee written notice of supplier or product approval or disapproval within ten (10) days of Franchisor's receipt of all the information and samples Franchisor requests. If Franchisor approves the supplier, then Franchisee may contract with the alternative supplier. If Franchisor does not approve the supplier, then Franchisor will provide Franchisee with the reasons why such supplier proposal was not approved.

6.9 Opening Inventory

Franchisor will designate, in its Manual or otherwise, the amount and nature of the opening inventory of products, supplies, equipment, materials and services required to be purchased by Franchisee for the operation of the Studio, including an opening inventory package of Products which Franchisee shall purchase from Franchisor or approved vendors. Franchisee agrees to purchase the required opening inventory before the commencement of operations of the Studio.

6.10 Products and Services Sold by Franchisee

Franchisee agrees to offer and sell all products, services, and programs which are part of the L.A. Bikini System, and all other products, services and programs which Franchisor in the future incorporates into the L.A. Bikini System. Franchisee is prohibited from offering or selling any

item, product, service or program which is not a part of the L.A. Bikini System or is later deleted from that System. Franchisee may not use the L.A. Bikini name or the Marks for the benefit of any business other than the franchised Studio business. Franchisee may not conduct (or permit the conducting of) any business other than the business contemplated by this Agreement at or from the Studio without Franchisor's prior written consent, which Franchisor may withhold for any reason or for no reason.

6.11 Computerized Point of Sale System

Prior to the commencement of operations of the Studio, Franchisee agrees to procure and install at the Studio, at Franchisee's expense, the computerized point of sale and management systems and related software, associated computer hardware, required dedicated telephone and power lines, and other related accessories or peripheral equipment which Franchisor specifies in its Manual or otherwise. Franchisee expressly affirms and agrees that Franchisor will have the free and unfettered right to retrieve such data and information from Franchisee's computerized systems as Franchisor, in its reasonable judgment, deems necessary, desirable or appropriate, at such intervals as Franchisor determines in its sole and exclusive judgment. Franchisee agrees to accurately, consistently and completely record, structure, capture and provide through the computerized point of sale system all information concerning the operation of the Studio as Franchisor requires, in the form and at the intervals that Franchisor requires (in its Manual or otherwise), including (without limitation) the recordation, at the time of receipt, of all sales of all services and products sold by Franchisee from the Studio.

Franchisee agrees to bear the sole cost of the items referenced in the prior paragraph to be installed or purchased and activities to be accomplished by Franchisee, and the delivery, installation and maintenance costs of all hardware and software. Franchisee agrees, at its expense, to keep its system in good maintenance and repair. Franchisee further agrees to use, at its expense, only Franchisor's designated vendors that are specified in the Manual or otherwise to perform any such maintenance and repairs. Franchisor at its sole discretion may mandate that Franchisee add memory, ports, accessories, peripheral equipment and/or additional, new or substitute software to the original point of sale system purchased by Franchisee.

Franchisee further understands that it may become necessary for Franchisee to replace or upgrade the entire point of sale system with a different system capable of assuming and discharging all the tasks and functions specified by Franchisor. Franchisee also understands and agrees that, as designs and functions change periodically, Franchisor may be required to make substantial modifications to its specifications, or to require installation of entirely different systems (during the term of this Agreement or upon renewal thereof). In requiring any such modifications or installations, Franchisor agrees that it will act in good faith, and in the interests of the franchised system, and not necessarily any individual franchisee, including Franchisee. Franchisee agrees to install at its own expense such additions, changes, modifications, substitutions and/or replacements to its hardware, software, telephone lines and power lines and other related facilities as Franchisor directs, on those dates and within those times specified by Franchisor in its sole and exclusive discretion, in its Manual or otherwise, provided, however, that Franchisee is not obligated to make any modification or installation in the final year of the Initial Term or any Renewal Term that will require an out-of-pocket expenditure exceeding \$5,000. Franchisee shall pay the service or maintenance fees charged by Franchisor or its

designated vendor in connection with the computerized point of sale system, as stated in the Manual or otherwise.

6.12 Rebates, Promotions and Gift Cards/Certificates

A. Franchisee agrees, at its sole cost and expense, to issue and offer such commercially reasonable rebates, give-aways, and other promotions in accordance with advertising programs established by Franchisor, so long as compliance with any of the foregoing does not contravene any applicable law, rule or regulation. Franchisee will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by Franchisor and which are accepted at all L.A. Bikini Studios. Franchisee will not issue coupons or discounts of any type except as approved by Franchisor.

B. In the event that the Studio closes or is otherwise abandoned, whether due to termination or expiration of this Agreement or for any other reason, it shall be the obligation of Franchisee to pay Franchisor the full amount of the Studio's outstanding gift card/certificate liability at the time of closing. Such amount shall be paid together with all other fees and amounts payable in connection with the Studio closure pursuant to this Agreement.

6.13 Hours of Operation

Franchisee agrees to continuously operate the Studio on the days and during the minimum hours that Franchisor may from time to time specify in its Manual or otherwise. Franchisee may establish hours of operation in addition to the required minimum hours.

6.14 Inspection and Operational Audit

Franchisee agrees that Franchisor or any of its authorized agents or representatives may at any time during normal business hours enter the Studio to conduct an operational audit to determine compliance with this Agreement and with Franchisor's policies, procedures, programs, standards, specifications and techniques as set forth in its Manual or otherwise. Subject to the other provisions of this Agreement, Franchisee agrees to incorporate into its Studio any corrections and modifications Franchisor requires to maintain the standards of quality and uniformity prescribed by Franchisor, as quickly as is reasonably possible.

6.15 Corporate and Partnership Franchisee Requirements, Records

A. Franchisee, if a corporation, and any corporate assignee shall comply with the following requirements:

1. Furnish Franchisor with its Articles of Incorporation, Bylaws, , other governing documents, list of officers, directors and shareholders (including number and percentage of shares held), and any other documents Franchisor may reasonably request, and any amendments to them.

2. Confine its activities to the operation of the Studio to a L.A. Bikini studio, and its governing documents provide that its activities are confined exclusively to the operation of the franchised L.A. Bikini Studio.

3. Maintain stop transfer instructions against the transfer on its records of any equity securities, and must not issue any securities on the face of which the following printed legend does not legibly and conspicuously appear:

“The transfer of this stock is subject to the terms and conditions of a Franchise Agreement with LAB HOLDING COMPANY, LLC, dated _____. Reference is made to the provisions of this Franchise Agreement and to the Articles and Bylaws of this Corporation. This certificate is not transferable and is not subject to sale, assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of LAB HOLDING COMPANY, LLC.”

4. Maintain a current list of all owners of record and all beneficial owners of any class of voting stock or membership interest of Franchisee, and must furnish this list to Franchisor on request.

B. Franchisee, if a limited liability company, partnership, or proprietorship, and any limited liability company, partnership, or proprietorship assignee shall comply, except as otherwise approved in writing by Franchisor, with the following requirements:

1. Furnish to Franchisor a copy of its operating agreement, partnership agreement, and any other documents which Franchisor reasonably requests, and any amendments to them.

2. If Franchisor requests, prepare and furnish to Franchisor a list of all members, partners, and proprietors of Franchisee.

C. Franchisee and any assignee shall promptly notify Franchisor of any change in any of the information called for in this Section or in any document referred to in this Section.

D. If Franchisee is a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law, then all owners of Franchisee shall execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which the owners of Franchisee agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future owner of Franchisee must agree in writing to personally guarantee the performance of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.

E. If Franchisee is a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law, then Franchisee shall inform Franchisor in writing as to the identity of all of the persons who have an ownership interest in the Franchisee entity in the attached Ownership Addendum (Exhibit F) and ensure that the information contained therein is true, accurate and complete at all times.

Franchisee shall not vary from the ownership interests and/or corporate structure without the prior written approval of Franchisor.

6.16 Continuing Training of Franchisee's Personnel

In order to impart to its employees the latest procedures, techniques, policies and standards of the L.A. Bikini System, Franchisee agrees to conduct in-house meetings, training programs, or other programs that Franchisor specifies from time to time, using any materials provided by Franchisor for this purpose. At Franchisee's sole cost and expense, Franchisee agrees to attend annually, and agrees to cause its sugarists, managers and/or other staff to attend annually, up to four (4) mandatory webinars, training sessions, refresher courses, programs and/or other meetings scheduled from time to time by Franchisor, at a location and date chosen by Franchisor in advance. Franchisor may charge Franchisee a training fee for these mandatory training sessions, refresher courses, programs and/or other meetings, in an amount set forth in the Manual or otherwise, but not more than \$250 per person for each such session, course, program or meeting. All expenses associated with attending such training are the responsibility of the Franchisee.

6.17 Trade Accounts

Franchisee agrees that it shall maintain its trade accounts in a current status and to seek to promptly resolve any disputes with trade suppliers.

6.18 Best Efforts; Cooperation with Franchisor

Franchisee agrees to use its best efforts to develop and expand the market for the products and services offered by its Studio and to cooperate fully with Franchisor in accomplishing the purposes of this Agreement, including, but not limited to, those procedures and standards set forth in the Manual or otherwise.

6.19 Bookkeeping and Accounting; Reporting

Franchisee agrees to use all standard accounting forms that Franchisor may furnish as part of its Manual or otherwise in its reasonable discretion. Franchisee agrees to submit all bookkeeping reports that Franchisor prescribes in its Manual or otherwise in its reasonable discretion. Franchisee will be solely responsible for performing all recordkeeping duties and bear the costs for performing all recordkeeping duties and services. Franchisee agrees to complete and submit to Franchisor the weekly, monthly, semi-annual or other periodic reports regarding the activity of the Studio that Franchisor prescribes in its Manual or otherwise in its reasonable discretion.

6.20 Variance of Standards and Terms

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right, as it may consider in the best interests of all concerned, to vary standards for any franchisee based on any condition which Franchisor considers important to the successful operation of the franchisee's studio.

Franchisee will have no right to require Franchisor to disclose any variation to Franchisee or to grant Franchisee the same or a similar variation under this Agreement. Franchisee acknowledges that the terms, conditions and economics of current and future franchise agreements of Franchisor that Franchisor may enter into with other franchisees may, at that time, vary in substance and form from the terms, conditions and economics of this Agreement. Franchisee shall have no recourse against Franchisor on account of any variation from standard specifications and practices granted to any franchisee or any variation in any terms, conditions and economics of any agreement with another franchisee, and shall not be entitled to require Franchisor to grant Franchisee a like or similar variation.

6.21 Products, Services, Equipment and Programs Developed by Franchisee

Franchisee irrevocably and permanently licenses to Franchisor for incorporation in the L.A. Bikini System and use by Franchisor, its affiliates and (if Franchisor determines) other L.A. Bikini franchisees, all products, equipment and programs, related products and services (including, without limitation, any computer software), sales, marketing and promotional programs and campaigns, and any techniques and procedures relating to or regarding the operation of a L.A. Bikini studio that are developed by or on behalf of Franchisee in conjunction with or related to the franchised Studio.

7. INSURANCE

7.1 Required Insurance Coverage

A. Franchisor imposes and prescribes minimum standards and limits for certain types of required insurance coverage in its Manual or by other written notice to Franchisee. Franchisee agrees that Franchisor may modify the required minimum limits of insurance coverage from time to time by written notice to Franchisee. Upon delivery or attempted delivery of this written notice, Franchisee agrees to immediately purchase insurance conforming to the newly established standards and limits prescribed by Franchisor.

B. Franchisee agrees to purchase at its expense, and maintain in effect at all times during the term of this Agreement, the following categories of insurance coverage in forms and through insurance companies satisfactory to Franchisor.

1. Occurrence based comprehensive general liability coverage, including bodily injury, property damage, advertising injury and personal injury of at least \$1,000,000 per occurrence, ~~\$3,000,000~~2,000,000 general aggregate and ~~\$1,000,000~~2,000,000 product liability aggregate, professional liability insurance of at least \$1,000,000 per occurrence, and employment practices liability insurance of at least \$100,000 per occurrence.

2. If any vehicle is operated in connection with the conduct of the Studio, automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with minimum limits of liability in the greater of (i) the amount required by all applicable state and federal laws, or (ii) a combined single limit of \$1,000,000 for bodily injury and property damage.

3. All Risk Property Insurance including Fire and Extended Coverage on Franchisee's Studio, premises and property and the contents thereof, including all supplies, inventory, fixtures, furnishings and equipment in an amount adequate to replace them in case of an insured loss.

4. Business Interruption Insurance in sufficient amounts to cover the rental of the Studio, previous profit margins, maintenance of competent personnel and other fixed expenses.

5. For Franchisee's employees, workers' compensation and employer's liability insurance (in statutory amounts), unemployment insurance and state disability insurance (as required by governing law).

6. All other insurance coverage required by federal, state, local or other political subdivision law, rule or regulation applicable to the Studio.

C. The insurance coverage acquired and maintained by Franchisee at its own expense and in accordance with this Section shall name Franchisor (and any Area Representative of Franchisor) as an Additional Insured and provide that the coverage afforded applies separately to each insured against whom claim is brought as though a separate policy had been issued to each insured. Franchisee agrees not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend these insurance policies without Franchisor's written consent.

7.2 No Undertaking or Representation

Nothing contained in this Agreement may be considered an undertaking or representation by Franchisor that the insurance that Franchisee is required to obtain will insure Franchisee against any or all insurable risks of loss which may arise out of or in connection with the operation of the Studio.

7.3 Certificates of Insurance

Franchisee agrees to promptly provide Franchisor with Certificates of Insurance evidencing the required coverage no later than ten days before the date that the Studio will commence operations. Franchisee agrees to deliver a complete copy of Franchisee's policies of insurance to Franchisor within thirty days following delivery of the Certificates of Insurance. Franchisee agrees to renew all insurance policies and documents, and on renewal, to furnish a renewal Certificate of Insurance to Franchisor before the expiration date of the policy in question. Franchisor may at any time require Franchisee to forward to Franchisor full copies of all insurance policies.

7.4 Notice of Claims and Demands

Franchisee agrees to notify Franchisor of all claims or demands against Franchisee, the Studio, or Franchisor within three days of Franchisee's receiving notice of any claim or demand. Franchisee further agrees to respond to all claims within the time required by law, rule or regulation. In addition, Franchisee agrees to cooperate with Franchisor (or its designee) in the defense of any such claims. .

8. ADVERTISING

8.1 Advertising Standards

Franchisee may only use advertising, marketing, identification and promotional materials and programs which Franchisor has either furnished or approved in writing in advance. If Franchisor makes advertising, marketing, identification and promotional materials and programs available to Franchisee, then Franchisee must use only those materials furnished by Franchisor for all of Franchisee's advertising, marketing, identification and promotion of the Studio. If Franchisor does not furnish Franchisee with advertising, identification and promotional materials and programs for the Studio, then Franchisee must ~~first request that Franchisor produce the proposed advertising, marketing, identification, and promotional materials or programs Franchisee desires. If Franchisor is unable to produce the materials or declines to produce them, then Franchisee must~~ obtain Franchisor's prior written approval of all proposed advertising, marketing, identification and promotional materials or programs before any such materials are used or disseminated, following the required procedures set forth by Franchisor in its Manual or otherwise. Franchisor's approval of any materials may be withheld for any or no reason. If Franchisee chooses not to use advertising and promotional materials Franchisor provides, and if Franchisee requires assistance in preparation of such materials, then Franchisor reserves the right to charge Franchisee for those services at the rate set forth in the Manual otherwise communicated to Franchisee, plus expenses Franchisee incurs (including, but not limited to third party design firms or other third parties). Franchisee may be afforded the option to participate in an advertising cooperative, and if an advertising cooperative is created, Franchisee shall be furnished with a written agreement governing the terms of such cooperative from time to time. If Franchisor becomes aware of any breach by Franchisee of this Section 8.1, Franchisor will notify Franchisee in writing of the facts which Franchisor believes have given rise to the breach. Franchisee acknowledges and agrees that if Franchisee does not cure the breach within three (3) calendar days after Franchisee's receipt of that notice, then Franchisor may terminate or remove any unauthorized advertising or promotion at Franchisee's expense, may direct third parties to cease displaying, publishing, disseminating and/or printing such unauthorized advertisements or promotions, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to Franchisee.

8.2 Internet Advertising

Franchisee may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Studio on the Internet or any other public computer network or social media site except as required, sponsored, placed, or approved in writing by Franchisor.

8.3 Grand Opening Advertising, Local Advertising and Promotion

Beginning no later than one month before the commencement of the operation of the Studio, and continuing for one month thereafter, Franchisee agrees to expend the total sum of at least \$10,000 for the grand opening advertising and promotion of its Studio and the actual grand opening event (the "Grand Opening Advertising"). Franchisee agrees to make these Grand Opening Advertising expenditures using the advertising and promotional material, media, special events and other public relations activities that Franchisor requires or approves, in its

Manual or otherwise. Within the two month period referenced above, Franchisee will have a specific, single day, grand opening event which will signal the grand opening of the Studio. After the period of Grand Opening Advertising, Franchisee agrees to expend the following amounts on Local Advertising and Promotion: (a) Each month during the first year of operation of your Studio, you must spend the greater of an amount equal to two and one half percent (2.5%) of the previous quarter's average monthly Gross Revenues, or Two Thousand Dollars (\$2,000), on Local Advertising and Promotion; and (b) After the first year of operation of your Studio, you must spend each month an amount equal to two and one half percent (2.5%) of the previous quarter's average monthly Gross Revenues on Local Advertising and Promotion. "Local Advertising and Promotion" means the local or regional advertising and promotional activities that Franchisor specifies in its Manual or otherwise, or approves in writing in advance. In the event Franchisee fails to expend the required amount on local advertising and promotion, Franchisee shall immediately remit to Franchisor, as specified by Franchisor in its Manual or otherwise, the difference between the amount Franchisee actually spent each quarter on local advertising and promotion and required amount that Franchisee should have expended in accordance with this Section.

8.4 Administration of the L.A. Bikini Advertising Fund

To the extent that Franchisor establishes an advertising fund (and Franchisee acknowledges and agrees that Franchisor has no obligation to establish or maintain any such Fund), Franchisor or its designee will administer the L.A. Bikini Advertising Fund (the "Fund") as follows:

A. Franchisor will direct all advertising programs with sole control over the strategic direction, creative concepts, materials and media used in the programs, and the geographic, market and media placement and allocation of advertising. Franchisee acknowledges that the Fund is intended to further general public recognition and acceptance of the Marks for the benefit of the L.A. Bikini System, and that Franchisor and its designees undertake no obligation in administering the Fund to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contributions, to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising, or to insure that any advertising impacts or penetrates Franchisee's Protected Area. The Fund is not a trust and Franchisor is not a fiduciary with respect to the Fund.

B. The Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or localized advertising (including, without limitation, the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns and other public relations activities) and employing advertising agencies to assist in these activities, paying interest on monies borrowed by the Fund from third parties unaffiliated with Franchisor, providing customer service comment cards to L.A. Bikini Studio franchisees, and sponsorship of special promotional events. Franchisor need not maintain the sums paid by franchisees to the Fund or income earned from the Fund in a separate account from the other funds of Franchisor, but Franchisor may not use these amounts for any purposes other than those provided for in this Agreement. Franchisor may, however, expend up to 10% of the Fund for any reasonable administrative costs and overhead that Franchisor may incur in activities reasonably related to the administration or direction of the Fund and advertising programs for franchisees including, without limitation, conducting market research, preparing

marketing, advertising and promotional materials, working with advertising agencies, advertising placement services and creative talent, and, collecting and accounting for assessments for the Fund. This 10% Franchisor charge is exclusive of any advertising agency fees which the Fund must expend to secure the services of an advertising agency or to have print or broadcast advertising placed by an agency. Franchisor will have no obligation to prepare or distribute to Franchisee any audited (or unaudited) statements detailing Fund income and expenses.

C. Franchisor expects to expend most contributions to the Fund for advertising purposes during the fiscal year when the contributions are made. If Franchisor expends less than the total sum available in the Fund during any fiscal year, in its discretion, it may either expend the unused sum during the following fiscal year or rebate all or a portion of the unused sum to franchisees on a pro rata basis. If Franchisor expends an amount greater than the amount available in the Fund in any fiscal year (not including any sum required to be expended because Franchisor did not expend all the sums in the Fund during the preceding year), Franchisor will be entitled to reimburse itself from the Fund during the next fiscal year for all excess expenditures made during the preceding fiscal year.

D. Although the Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Fund at any time. Franchisor will not terminate the Fund, however, until it has expended all money in the Fund for advertising and promotional purposes.

9. PAYMENTS TO FRANCHISOR

9.1 Gross Revenues

“Gross Revenues” means all revenues and income from whatever source derived or received by Franchisee from, through, by or on account of the operation of the franchised Studio, whether received in cash, in services, in kind, on credit (whether or not payment is received), bartering, or otherwise. There will be deducted from Gross Revenues, to the extent they have been included (i) all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if Franchisee separately states the taxes when the customer is charged and if Franchisee pays the taxes to the appropriate taxing authority, (ii) any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee (such deductions will not include any credit card user fees, returned checks or reserves for bad credit or doubtful accounts), and (iii) any fees paid to or retained by third party delivery services for delivery of Products sold at the franchised Studio to locations other than the franchised Studio.

Franchisee agrees that the use of any coupons or other discounts, waivers, or any bartering or exchange transactions, or the sale of any products or services bearing the Marks outside the Studio without prior written approval by Franchisor is prohibited and unless the Franchisor agrees otherwise on a case-by-case basis, the amount of the discount, unapproved exchange or unauthorized sale offered by Franchisee in such case shall also be included in the definition of Gross Revenues.

9.2 Continuing Royalty Fees

In consideration of Franchisor's grant to Franchisee of a license to use the Marks and System, Franchisee agrees to pay to Franchisor a weekly Continuing Royalty Fee equal to six percent (6%) of Franchisee's prior week's Gross Revenues. The obligation to pay the Continuing Royalty Fee shall commence upon the opening of the Studio.

9.3 Brand Development Fee

Franchisee agrees to pay to Franchisor a weekly Brand Development Fee in an amount equal to one percent (1%) of Franchisee's prior week's Gross Revenues. The obligation to pay the Brand Development Fee shall commence upon the opening of the Studio. If Franchisor establishes an Advertising Fund, then it may direct all or part of the Brand Development Fee to the Advertising Fund.

9.4 Reporting and Payment

Franchisee agrees to submit, in the manner designated by Franchisor, a weekly report to Franchisor for Franchisor's receipt on or before the day of each week designated by Franchisor (in its Manual or by other written communication to Franchisee) during the term of this Agreement. The weekly report will consist of a statement reporting all Gross Revenues for the preceding week, the Continuing Royalty fee due and paid, and the Brand Development Fee due and paid, in the manner and form prescribed by Franchisor. Franchisor reserves the right to require the electronic filing of Franchisee's weekly reports.

9.5 Payments to Franchisor

In addition to all other payments under this Agreement, Franchisee agrees to pay to Franchisor (or its affiliates) immediately upon demand by Franchisor:

A. The amount of all sales taxes, corporate taxes, trademark license taxes and any similar taxes imposed on, required to be collected, or paid by Franchisor on account of services or goods Franchisor has furnished to Franchisee through sale, lease or otherwise, or on account of collection by Franchisor of the Initial Franchise Fee, Continuing Royalty Fees, Brand Development Fees, or other payments called for by this Agreement.

B. All amounts advanced by Franchisor, or which Franchisor has paid, or for which Franchisor has become obligated to pay, on behalf of Franchisee for any reason.

C. All amounts due to Franchisor (or its affiliates), for products or services purchased by Franchisee from Franchisor, its affiliates or designees.

9.6 Late Charge and Related Fees

Franchisee agrees to pay to Franchisor (or its affiliates) interest on any amounts due to Franchisor (or its affiliates) under this Agreement at the maximum interest rate permitted by law. Franchisee shall pay Franchisor a fee of \$50 if bank payment is refused for any check or pre-authorized draft received by Franchisor or its affiliates from Franchisee.

9.7 Application of Funds and Withholding Funds

If Franchisee is delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor or any of its affiliates, then Franchisor or the affiliate may apply any payment from Franchisee to the oldest obligation due, whether under this Agreement or otherwise, whether or not there is any contrary designation by Franchisee. Franchisee may not withhold and agrees not to withhold payment of any Continuing Royalty Fee, Brand Development Fee or any other amounts due to Franchisor or its affiliates on grounds of the alleged non-performance of any of Franchisor's obligations under this Agreement.

9.8 Automated Bank Draft

Franchisee understands and agrees that Franchisor may require that all Continuing Royalty Fees, Brand Development Fees, and all other fees and costs required to be paid to the Franchisor or any advertising cooperative that may be established must be paid by automatic bank draft, as specified by Franchisor. Franchisee agrees to comply with Franchisor's payment instructions, and to sign any and all documents and forms necessary to effectuate the automatic bank drafts, including the bank authorization form attached to this Agreement as Exhibit D.

10. RECORDS, AUDITS AND REPORTING REQUIREMENTS

10.1 Financial Statements

A. No later than thirty days following the end of each calendar month during the term of this Agreement, Franchisee agrees to furnish to Franchisor, in a form approved by Franchisor, a statement of the Studio's profit and loss for the month as of the end of the month. Franchisee shall certify these statements to be true and correct. These financial statements are not required to be audited.

B. No later than ninety (90) days following the end of each calendar year during the term of this Agreement, Franchisee will furnish to Franchisor, in a form approved by Franchisor, a statement of the Studio's profit and loss for the calendar year and a balance sheet as of the end of the calendar year, prepared on a compilation basis and certified to be true and correct by Franchisee. If there is a demonstrated, material understatement of Franchisee's revenue, then Franchisor reserves the right to require these annual financial statements to be audited by an independent certified public accountant.

C. If Franchisor requires audited annual financial statements, then those financial statements must be prepared in accordance with generally accepted accounting principles, including all disclosures required under those principles.

D. No later than thirty days following Franchisee's filing of the tax returns of the Studio, Franchisee agrees to furnish to Franchisor exact copies of the tax returns, including federal, state and any local income tax returns..

10.2 Financial Records and Audit or Financial Review

A. Franchisee agrees to record all revenues received by it or the Studio. Franchisee further agrees to keep and maintain adequate records of these revenues, and to maintain and preserve accurate books, records and tax returns, including related supporting material (such as cash receipts, and credit and charge records) for the Studio for at least three years after the providing of the service or incurring the obligation. Franchisor may specify, in its Manual or otherwise, the forms that Franchisee will be required to use in recording the revenues of the Studio.

B. Franchisor will have the right, at any time, with or without written notice, during regular hours, to enter Franchisee's premises to inspect, audit and make copies of all records and files of Franchisee relating to the operation of the Studio. Franchisee agrees to make any of these materials available for examination and copying at Franchisee's premises.

C. If Franchisor causes an audit or a financial review by a Certified Public Accountant or other professional to be made for any period and the audit or review reveals that Franchisee understated the Gross Revenues in Franchisee's weekly reports to Franchisor by any amount, then Franchisee agrees to immediately pay Franchisor the additional amount payable as shown by the audit or financial review, plus interest at the highest rate permitted by law. If an audit or financial review of the Studio by a Certified Public Accountant or other professional reveals that Franchisee understated the Gross Revenues on Franchisee's weekly reports to Franchisor by two percent (2%) or more for any week within the period of examination, or for the entire period of examination, when compared to Franchisee's actual Gross Revenues, then in addition to paying the additional amounts due and interest as calculated above, Franchisee agrees to immediately pay Franchisor the full cost of the audit or the financial review for the entire period of examination. If an audit or financial review reveals an understatement by Franchisee of five percent (5%) or more for any calendar year, then in addition to paying the additional amounts due, interest as calculated above and the full cost of the audit or financial review for the entire period of examination, Franchisee's understatement will constitute a material and incurable breach of this Agreement which will entitle Franchisor to terminate this Agreement immediately upon notice to Franchisee, with no opportunity to cure.

11. CONFIDENTIAL INFORMATION

11.1 Restriction on Use of Confidential Information

Franchisee agrees that it will not, both during the Initial Term and any Renewal Term, or at any time after this Agreement expires or terminates, disclose or use any Confidential Information (as defined below) for the benefit of any other person or entity. "Confidential Information" means information, knowledge, trade secrets, or know-how concerning the systems of operation, programs, products, services, customers or practices of Franchisee, Franchisor, or the L.A. Bikini System. Confidential Information includes (without limitation) all information, knowledge, know-how, techniques and information which Franchisor, its affiliates, or their officers, designate as confidential. Confidential Information will not, however, include information which Franchisee can demonstrate came to its attention before Franchisor disclosed it to it or which, at or after the time of disclosure, has become public through publication or communication by Franchisor or by parties not under any obligation to Franchisor, but not through any act of Franchisee. Upon the expiration or termination of this Agreement, Franchisee

will return to Franchisor all Confidential Information, including the Manual, and all materials, books, records, software and manuals considered confidential under this Agreement in Franchisee's possession. Franchisee and its Studio Manager may divulge only Confidential Information necessary to operate the Studio, and only to those of Franchisee's employees, agents or independent contractors who need access to it for that purpose. Franchisee agrees to take all necessary precautions to ensure that its employees retain the Confidential Information in confidence, including, but not limited to, requiring its employees to sign, at the time of employment, a Confidentiality/Non-Compete Agreement in a form substantially the same as the agreement attached to this Agreement as Exhibit C. Franchisee shall provide to Franchisor an executed copy of the Confidentiality/Non-Compete Agreement for all of Franchisee's employees who need access to Confidential Information in connection with the operation of the Studio and shall provide the executed agreement at the time each such employee is hired.

11.2 Customer Lists and the Studio's Customers

Franchisee shall maintain a current customer list (the "Customer List") containing as to each customer of the Studio such customer's name, address, telephone number, zip code and e-mail address, and such other information Franchisor may require as set forth in the Manual or otherwise. Franchisee shall also maintain the Customer List in the form and manner that Franchisor requires as set forth in the Manual or otherwise. During the term of this Agreement, Franchisee may use the Customer List, and any of the information contained therein or derivable therefrom, provided such use is consistent with this Agreement and solely for the purpose of promoting the Studio. Notwithstanding that it may have been created and maintained by Franchisee, the Customer List is, and remains, Franchisor's exclusive property, as is all information pertaining to the Studio's customers and potential customers that Franchisee may collect, compile or maintain. After the expiration or termination of this Agreement, for any reason, Franchisee may not use or disclose the Customer List or any other information pertaining to the Studio's customers and potential customers, or any of the information contained therein or derivable therefrom without Franchisor's written prior authorization.

12. COVENANTS NOT TO COMPETE

12.1 In-Term Covenant Not to Compete

Franchisee agrees that during the Initial Term and any Renewal Term, it will not directly or indirectly engage in any other business which offers hair removal services (including, but not limited to by use of techniques of sugaring, waxing, or threading) or which offers or sells any product, service or component which now or in the future is part of the L.A. Bikini System, or any similar product or service (a "Competitive Business").

Franchisee will not engage or prepare to engage in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of

information of any kind which would be of any material assistance to a Competitive Business. This provision does not prevent Franchisee from owning for investment purposes up to an aggregate of five percent (5%) of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange. Further, during the Initial Term or any Renewal Term, and for two years after the termination or expiration of this Agreement for any reason, Franchisee agrees not to solicit or hire former or present personnel of Franchisor, its affiliates or of any other L.A. Bikini franchisee. If Franchisee is a corporation, then Franchisee agrees to cause its shareholders, directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests. If Franchisee is a limited liability company, partnership, or proprietorship, then Franchisee agrees to cause each partner, proprietor or other beneficial owner to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

12.2 Post-Term Covenant Not to Compete

Franchisee agrees that for a period of two years immediately following the expiration or termination of this Agreement for any reason, Franchisee will not directly or indirectly engage in any Competitive Business. Franchisee is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant, if the other business is located at within Franchisee's Protected Area, within ten miles of the perimeter of Franchisee's Protected Area, or within ten miles of the perimeter of (or within) any L.A. Bikini Studio Protected Area (whether Company-owned, franchised or otherwise established and operated). Franchisee acknowledges and agrees that the restrictions contained in this Section are reasonable in scope and time, and necessary to protect the legitimate business interests of Franchisor.

If Franchisee owns the Studio Location, furthermore, then for a period of two years immediately following the expiration or termination of this Agreement for any reason, the Studio Location may not be used for the operation of a Competitive Business. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a Competitive Business. This provision does not prevent Franchisee from owning for investment purposes up to an aggregate of five percent (5%) of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange. Further, during the Initial Term or any Renewal Term, and for two years after the termination or expiration of this Agreement for any reason, Franchisee agrees not to solicit or hire former or present personnel of Franchisor, its affiliates or of any other L.A. Bikini franchisee. If Franchisee is a corporation, then Franchisee agrees to cause its shareholders, directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests. If Franchisee is a limited liability company, partnership, or proprietorship, then Franchisee agrees to cause each partner, proprietor or other beneficial

owner to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

12.3 Ability of a Court to Reform Covenants

If all or any portion of the covenants not to compete set forth in this Article are held unreasonable, void, vague, or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and shall not by necessity invalidate the entire covenants. Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement.

12.4 Enforcement of Covenants Not To Compete

Franchisee acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of the covenants not to compete set forth in this Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Franchisee's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Franchisee expressly agrees that any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Franchisee agrees to pay all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

13. ASSIGNMENT, RIGHT OF FIRST REFUSAL

13.1 Assignment By Franchisor

Franchisor shall have the unlimited right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity.

13.2 Assignment By Franchisee - General

With respect to Franchisee's obligations under this Agreement, this Agreement is personal, because Franchisor has entered into this Agreement in reliance on and in consideration of Franchisee's singular personal skill and qualifications, and the trust and confidentiality that Franchisor reposes in Franchisee. Therefore, except as provided below, neither Franchisee's interest in this Agreement, its rights or privileges under this Agreement, the franchised business, the Studio, nor any interest in the Studio or business, may be assigned, sold, transferred, shared, redeemed, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without first obtaining Franchisor's written consent in accordance with this Article, or without first complying with Franchisor's right of first refusal as provided for herein. This Agreement is a personal obligation of Franchisee. None of Franchisee's rights to use the L.A. Bikini System, Marks, Confidential Information and know-

how are transferable except in strict compliance with the terms of this Agreement. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, in violation of the terms of this Article will be null, void and of no effect, and will constitute a material and incurable breach of this Agreement “Assignment” for the purposes of this Agreement includes (without limitation):

A. The transfer or redemption in the aggregate of more than 25% of the capital stock or voting power of any corporate franchisee, as originally constituted on the date of execution of this Agreement, to any person or entity who is not (i) already a shareholder of Franchisee (a “Shareholder”), (ii) the spouse of any Shareholder, (iii) a trust controlled by a Shareholder whose trustee is a Shareholder or (iv) a corporation, partnership or proprietorship controlled and composed solely of Shareholders.

B. The transfer or redemption in the aggregate of more than 25% of a partnership or proprietorship interest, as originally constituted on the date of execution of this Agreement, in a franchisee that does business as a limited liability company, partnership, or proprietorship, to any person or entity who is not (i) already a member, partner, or proprietor of Franchisee (a “Partner or Proprietor”), (ii) the spouse of any Partner or Proprietor, (iii) a trust controlled by a Partner or Proprietor whose trustee is Partner or Proprietor, or, (iv) a corporation or partnership controlled and composed solely of Partners or Proprietors. Franchisee agrees to immediately report to Franchisor all transfers of ownership in a corporate, partnership or proprietorship franchisee, even if less than 25%, in accordance with the procedures set forth in Franchisor’s Manual or otherwise.

13.3 Assignment By Franchisee - To A Corporation Formed By Franchisee

If Franchisee desires to transfer its interest in this Agreement to a corporation formed by Franchisee solely for the convenience of ownership, Franchisee shall obtain Franchisor’s prior written consent. Franchisor will not unreasonably withhold consent if all the following conditions are met:

1. The corporation is newly organized and duly incorporated, and its activities are confined to acting exclusively as a L.A. Bikini franchisee.

2. Franchisee is the sole owner of all the stock of the corporation and is its principal officer (or Franchisee is the sole owner of 75% or more of all stock of the corporation, with the remaining stockholders being Franchisee’s spouse and/or minor children).

3. If Franchisee is more than one individual, each individual must have the right to the same proportionate ownership interest in the corporation as it or she had in the Studio before the transfer.

4. Franchisee and the corporation execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which Franchisee and the corporation agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future shareholder of the corporation must agree in writing to personally guarantee the performance by the corporation of Franchisee’s obligations under this

Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.

5. The name of the corporation formed by Franchisee may not include the Proprietary Mark “L.A. BIKINI,” any variant of “L.A. BIKINI” or any words confusingly similar to “L.A. BIKINI.”

6. All stock certificates of the corporation must be endorsed with the following legend, conspicuously placed “The transfer of this stock is subject to the terms and conditions of a Franchise Agreement dated [date of this Agreement] between LAB HOLDING COMPANY, LLC and [Name of Franchisee] This certificate is not transferable and is not subject to sale, assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of LAB HOLDING COMPANY, LLC.”

7. The Articles of Incorporation, Bylaws and other organizational documents of the corporation must state that the issuance and transfer of any interest in the corporation are restricted by the terms of the Franchise Agreement Any transfer pursuant to this Section will not be subject to Franchisor’s rights of first refusal provided for below, and will not require payment of a transfer fee.

13.4 Assignment By Franchisee - Sale To Third Party

A. Franchisee may not sell or otherwise assign or transfer the franchise conveyed by this Agreement, the franchised Studio, or any interest in any of these, without Franchisor’s prior written consent. If Franchisor does not elect to exercise its right of first refusal, then Franchisor will not unreasonably withhold consent to the assignment and sale. Franchisee agrees that it will not be unreasonable for Franchisor to impose, among other requirements, the following conditions to consenting to the assignment and sale:

1. That Franchisee complies with the right of first refusal provisions as provided for in this Agreement.

2. That the proposed assignee applies to Franchisor for acceptance as a franchisee, and furnishes to Franchisor the information and references that Franchisor requests to determine assignee’s skills, qualifications and economic resources.

3. That the proposed assignee (or the principal officers, shareholders or directors of a corporate assignee) demonstrates that it has the skills, qualifications, ethics, moral values and economic resources necessary, in Franchisor’s reasonable judgment, to conduct the Studio business contemplated by this Agreement, and to fulfill its obligations to the assignor.

4. That the proposed assignee and its proposed Studio Manager have attended and successfully completed Franchisor’s Initial Training Program before the assignment, and any other training that Franchisor reasonably requires. There shall be no cost for the Initial Training Program, however, all expenses including transportation to any training,

lodging, food, salaries of proposed assignee's employees and other living expenses shall be borne by the proposed assignee.

5. That the lessor or sublessor of the Studio Location consents in writing to the assignment of Franchisee's Lease to the proposed assignee.

6. That as of the date of the assignment, the assignor has fully complied with all of its monetary and other obligations to Franchisor and its affiliates under this Agreement and any other agreement or arrangement with Franchisor or its affiliates.

7. That if the Franchise Agreement is being assigned, or the franchised Studio is being sold, the assignee executes a separate Franchise Agreement in the form and on the terms and conditions Franchisor then offers to prospective franchisees who are similarly situated (except that the assignee will not be obligated to pay another Initial Franchise Fee, the assignee will be entitled to an unlimited number of successive renewal terms upon the terms and conditions set forth in section 1.5, the Location and Protected Area will remain the same as in this Agreement, the assignee will be required to pay a transfer fee as set forth in this Agreement, and the Continuing Royalty Fee will be that specified in this Agreement). The term of the new Franchise Agreement will expire on the date of expiration of this Agreement or upon such other later date as Franchisor and the assignee agree. The execution of the new Franchise Agreement will terminate this Agreement, except for the guarantees of Franchisee and the post-termination and post-expiration provisions under this Agreement.

8. The proposed assignee must execute a Guarantee in the form acceptable to Franchisor guarantying all of the obligations under this Agreement.

9. That the assignor (and all shareholders of a corporate assignor, and all partners of a partnership assignor, and all proprietors of a proprietorship assignor) executes a general release, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities.

10. That the assignee pays Franchisor an assignee-paid transfer fee equal to the then current initial franchise fee being charged by the Franchisor to new franchisees, (the assignee-paid transfer fee shall be equal to seventy-five percent (75%) of the then-current initial franchise fee being charged by the Franchisor to new franchisees if the assignee is an existing franchisee of Franchisor). If the assignee is an immediate family member of the assignor, then the transfer fee will be waived.

11. That the assignor pays Franchisor an assignor-paid transfer fee of Five Thousand Dollars (\$5,000).

12. That the assignor furnishes to Franchisor a copy of the executed contract of assignment.

13. That the assignee, at its expense, upgrade the Studio to conform to the then-current standards and specifications of the L.A. Bikini System, and completes this upgrading within the time reasonably specified by Franchisor.

14. That Franchisee remains liable for all the obligations to Franchisor arising out of or related to this Agreement before the effective date of the transfer or assignment, and executes all instruments reasonably requested by Franchisor to evidence this liability.

15. That the assignor complies with the terms of the post-term covenant not to compete set forth in this Agreement, commencing on the effective date of the assignment.

B. If Franchisor consents to the assignment of this franchise, it will also consent to the assignment of Franchisee's Lease agreement with its Studio lessor and all other agreements between Franchisor and Franchisee. Franchisee, if the franchise is assigned, also agrees to assign its Lease agreement with the Studio lessor and all other agreements between Franchisor and Franchisee to the same assignee. After the assignment, Franchisee will remain liable under all the assigned agreements to the extent they require.

C. Franchisee agrees to defend at its own cost and to indemnify and hold harmless Franchisor, its parent (if any), and the subsidiaries, affiliates, designees, shareholders, directors, officers, employees and agents of either entity, from and against any and all losses, costs, expenses (including attorneys' and experts' fees), court costs, claims, demands, damages, liabilities, however caused (whether or not the losses, costs, expenses, court costs, claims, demands, damages or liabilities are reduced to judgment), resulting directly or indirectly from or pertaining to any statements, representations or warranties that may be given by Franchisee to any proposed assignee of the franchise, or any claim that Franchisee or the assignor engaged in fraud, deceit, violation of franchise laws or other illegality in connection with the negotiations leading to the consummation of the assignment.

13.5 Assignment By Franchisee - Transfer Upon Death or Disability

Upon the death or disability of the last surviving principal, member, partner or shareholder of Franchisee (as the case may be), Franchisee's rights will pass to that person's estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "Estate") The Estate may continue the operation of the Studio if: (i) the Estate provides a competent and qualified individual acceptable to Franchisor to serve as Studio Manager and operate the Studio on a full-time basis, (ii) this individual attends and successfully completes Franchisor's next offered Initial Training Program at the Estate's expense, and (iii) this individual assumes full-time operation of the franchise as Studio Manager within one month of the date the deceased or disabled person dies or becomes disabled. In the alternative, the Estate may sell Franchisee's franchise within one month in accordance with the provisions of this Agreement. From the date of death or disability until a fully trained and qualified Studio Manager assumes full-time operational control of the franchised Studio, Franchisor may assume full control of and operate the franchised Studio, but will have no obligation to do so. If Franchisor does so, then during this period, Franchisor will deduct its expenses for travel, lodging, meals, and all other expenses and fees from the Studio's Gross Revenues and pay itself a management fee equal to 10% of the Studio's weekly Gross Revenues. This management fee will be in addition to the Continuing

Royalty Fees and Brand Development Fees due Franchisor. Any remaining funds will then be remitted to Franchisee's Estate. Any deficiency in sums due to Franchisor under this Agreement must be paid by Franchisee's Estate to Franchisor within ten days of Franchisor's notifying the Estate of the deficiency. Franchisor will not be obligated to operate Franchisee's franchise. If it does so, Franchisor will not be responsible for any operational losses of the franchise, nor will it be obligated to continue operation of the Studio.

13.6 Right of First Refusal

The right of Franchisee to assign, transfer, redeem or sell its interest in this Agreement or the franchised Studio, voluntarily or by operation of law (as provided above), will be subject to Franchisor's right of first refusal. Franchisor shall exercise its right of first refusal in the following manner:

1. Franchisee shall deliver to Franchisor a true and complete copy of the offer (the "Notice") and furnish to Franchisor any additional information concerning the proposed transaction that Franchisor reasonably requests.

2. Within twenty-one days after Franchisor's receipt of the Notice (or, if Franchisor requests additional information, within twenty-one days after receipt of the additional information), Franchisor may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at its option, accept the assignment to itself or to its nominee, on the terms and conditions specified in the notice. However, Franchisor will be entitled to all of the customary representations and warranties given by the seller of assets of a Studio, including (without limitation), representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and Franchisee's contingent and other liabilities affecting the assets.

3. If a partial transfer is proposed through the assignment or redemption of more than 25% of the capital stock of a corporate franchisee, or of more than 25% of partnership or proprietorship interests to other than the original partners or proprietors of Franchisee (measured against the ownership of the Franchisee entity as originally constituted on the date of execution of this Agreement), then Franchisor will have the option to purchase not only the interests being transferred but also the remaining interests, so that Franchisor's resulting ownership will be 100% of the franchise. The price of these remaining interests will be proportionate to the price of the interests initially being offered.

4. Franchisor's credit will be deemed equal to the credit of any proposed purchaser. Franchisor may substitute cash for any other form of payment proposed in the offer.

5. If Franchisor exercises its right of first refusal, Franchisor will be given at least sixty days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing. Franchisee agrees to take all action necessary to assign its Lease agreement with the lessor of the Studio Location to Franchisor.

6. If Franchisor elects not to exercise its right of first refusal and consents to the proposed assignment or redemption, then Franchisee will, subject to the provisions of this Article, be free to assign this Agreement or the franchised Studio to its proposed assignee on the

terms and conditions specified in the Notice. If, however, the terms are changed, the changed terms will be deemed a new proposal, and Franchisor will have a right of first refusal with respect to this new proposal.

7. Franchisor's election not to exercise its right of first refusal with regard to any offer will not affect its right of first refusal with regard to any later offer. If Franchisor does not exercise its right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. Franchisee and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the franchised Studio specified in this article.

13.7 No Encumbrance

Franchisee will have no right to pledge, encumber, hypothecate or otherwise give a security interest in this Agreement, the franchise, the Studio or the franchised business in any manner to any third party person or entity without Franchisor's prior written permission, which Franchisor may withhold for any reason.

14. MARKS USED IN THE SYSTEM

14.1 Franchisee's Non-Ownership of Marks

Nothing in this Agreement will give Franchisee any right, title or interest in or to any of the Marks of Franchisor (or its affiliates or licensors) except as a mere privilege and non-exclusive license, during the term of this Agreement, to display and use the Marks according to the limitations set forth in this Agreement. Franchisee understands and agrees that the limited license to use the Marks granted by this Agreement applies only to those Marks which Franchisor designates (and has not designated as withdrawn from use), and those Marks which Franchisor may in the future designate in writing. Franchisee agrees not to represent in any manner that it has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted under this Agreement or Franchisee's use of the Marks. All uses of the Marks by Franchisee, whether as a trademark, service mark, trade name or otherwise, will inure to the benefit of Franchisor or its licensors. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with Franchisee's use of the Marks or operation of the franchised Studio.

14.2 Acts in Derogation of the Marks

Franchisee agrees that the Marks are the exclusive property of Franchisor (or its affiliates or licensors). Franchisee asserts and will in the future assert no claim to any goodwill, reputation or ownership of the Marks by virtue of Franchisee's licensed use of the Marks, or for any other reason. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its affiliates or licensors in connection with the Marks, either during or after the term of this Agreement. Franchisee agrees not to apply for or obtain any trademark or service mark registration of any of the licensed Marks or any confusingly similar marks in its own name. Franchisee agrees to use the Marks only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. Franchisee agrees that it will not, during or after the term of this Agreement, in any way dispute or impugn the validity of the

Marks, the rights of Franchisor (or its affiliates or licensors) to the Marks, or the rights of Franchisor, its affiliates, licensors, or other franchisees of Franchisor to use the Marks.

14.3 Use and Display of Marks

A. Franchisee agrees to use the Marks in full compliance with rules prescribed from time to time by Franchisor in its Manual or otherwise. Franchisee is prohibited (except as expressly provided in this Agreement) from using any Proprietary Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by Franchisor to Franchisee). Franchisee may not use any Proprietary Mark in connection with the sale of any unauthorized product, service or program or in any other manner not explicitly authorized in writing by Franchisor. Franchisee may use the Marks only for the operation of the franchised Studio or in advertising for the franchised Studio in a manner consistent with Franchisor's corporate brand guidelines, as they presently exist or as they may exist in the future. Franchisee's right to use the Marks is limited to the uses authorized under this Agreement.

B. Franchisee may not use the Marks in any way which will incur any obligation or indebtedness on behalf of Franchisor, its affiliates, or licensors. Franchisee agrees to comply with Franchisor's instructions in filing and maintaining all requisite trade name or fictitious name registrations, and to execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

C. Franchisee agrees to affix the Marks on the Studio and the uniforms, equipment, fixtures, signs, stationery, advertising, sales/promotional materials and other objects, in the size, color, lettering style and fashion and at the places which Franchisor designates in its Manual or otherwise. Except as expressly provided in the Manual or otherwise, Franchisee may not erect or display in or on its L.A. Bikini Studio, stationery, advertising, sales or promotional materials or any other objects bearing any other trademarks, logotypes, symbols or service marks. Franchisee may not use any names, marks or logotypes other than the Marks in connection with the franchised Studio without Franchisor's prior written approval.

D. Franchisee shall affix and display a sign in a conspicuous location in its Studio, stating the fact that Franchisee is an independent contractor and not affiliated with Franchisor.

14.4 Non-Use of Trade Name

If Franchisee is a corporation, partnership or limited liability company, it may not use the Marks or any confusingly similar words or symbols, in Franchisee's corporate, partnership or limited liability company name. In particular, Franchisee may not use the words "L.A. Bikini," "L.A. Bikini Studio" or any variant as part of its corporate, partnership or limited liability company name.

14.5 Required Means of L.A. Bikini Identification

Franchisee shall conduct its Studio business under the assumed business name "L.A. Bikini." Franchisee agrees, at its expense, to perform all filings and procure all required or necessary

governmental approvals or registrations required to do business under that assumed business name Franchisee agrees to identify itself as a franchisee, but not an agent, of Franchisor.

14.6 Policing of Marks

Franchisee shall promptly notify Franchisor of any use by any person or legal entity other than Franchisor or another of its franchisees of the Marks licensed under this Agreement, any colorable variation of those marks, or any other mark in which Franchisor has or claims a proprietary interest. Franchisee further agrees to notify Franchisor promptly of any litigation instituted by any person or legal entity against Franchisor or Franchisee involving the Marks. Franchisee acknowledges that Franchisor or its licensor has the right to control any administrative proceeding or litigation involving the Marks. In the event Franchisor, in its sole discretion, undertakes the defense or prosecution of any litigation relating to the Marks, Franchisee agrees to execute any and all documents, and to render such assistance (but excluding financial assistance) as may, in the opinion of Franchisor's counsel, be reasonably necessary to carry out such defense or prosecution. Franchisor makes no warranty, express or implied, as to the use, validity or enforceability of the Marks.

14.7 Discontinuance or Substitution of Marks

Franchisee agrees to comply with any instruction by Franchisor to modify or discontinue use of any Proprietary Mark, or to use any additional or substituted Marks. Franchisee waives all claims arising from or relating to any Proprietary Mark discontinuance, change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Proprietary Mark addition, modification, substitution or discontinuation.

15. RELATIONSHIP OF THE PARTIES

15.1 Independent Contractor

Franchisee understands and agrees that Franchisee is and will be an independent contractor of Franchisor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture or agency. Nothing in this Agreement may be construed to create a fiduciary relationship between the parties. No employee of Franchisee will be deemed to be an employee of Franchisor. Neither Franchisee nor any employee of Franchisee whose compensation for services is paid by Franchisee may, in any way, directly or indirectly, expressly or by implication, be construed to be an employee of Franchisor for any purpose.

15.2 Indemnification

The Franchisee shall indemnify Franchisor (and any Area Representative of Franchisor) and its affiliates and licensors, and their respective officers, directors, owners, employees and representatives from any and all actions, judgments, claims, damages, liabilities, losses, costs, and expenses (including reasonable attorney's fees and costs, even if incident to appellate, post-judgment, or bankruptcy proceedings) to which they become subject or that they incur arising from or relating in any manner to the Franchisee's ownership or operation of the franchised Studio. In no event, however, need the Franchisee indemnify Franchisor (or any Area

Representative of Franchisor) for any matter caused directly by Franchisor's gross negligence or intentional misconduct. Notwithstanding the expiration or sooner termination of this Agreement, this indemnity continues in full force and effect.

16. DEFAULT AND TERMINATION

16.1 Termination By Franchisor - Automatic Termination Without Notice

Franchisee will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to Franchisor without notice to Franchisee, if Franchisee, the franchised Studio or the business to which the franchise relates is adjudicated as bankrupt or insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, a petition in bankruptcy is filed by or against Franchisee or the franchised business and is not immediately contested and/or dismissed within sixty days from filing, a bill in equity or other proceeding for the appointment of a receiver or other custodian of Franchisee, the franchised business or assets of either is filed and consented to by Franchisee, a receiver or other custodian (permanent or temporary) of all or part of Franchisee's assets or property is appointed by any court of competent jurisdiction, proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee or the franchised business, Franchisee is dissolved, execution is levied against Franchisee, the franchised business or its property, or, the real or personal property of the franchised business is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

16.2 Termination By Franchisor Upon Notice - No Opportunity To Cure

Franchisee will have materially breached this Agreement and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisee's receipt of notice (which, whether sent by certified mail, registered mail, fax, overnight courier or personal physical delivery, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee) upon the occurrence of any of the following events:

A. Franchisee does not commence operation of the franchised Studio within 180 days following execution of this Agreement by Franchisor, at any time ceases to operate the franchised Studio, abandons the franchise relationship, or, abandons the franchise by failing to operate the Studio for five consecutive days during which Franchisee is required to operate the Studio under this Agreement (or any shorter period of time after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to operate the franchise), unless Franchisee's failure to operate is due to fire, flood, other Acts of God or other similar causes beyond Franchisee's reasonable control.

B. Franchisee omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement.

C. Franchisor and Franchisee agree in writing to terminate the Franchise Agreement.

D. Franchisee does not provide a copy of the proposed lease, or does not otherwise secure a Studio Location within the time limits and following the procedures specified in this Agreement.

E. Franchisee loses the right to possession of the Studio Location, provided, however, that if the loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the premises are damaged or destroyed, then Franchisee will have thirty days after this event to apply for Franchisor's approval to relocate and reconstruct the premises in accordance with the applicable provisions of this Agreement. This approval may not be unreasonably withheld, but it will be reasonable for Franchisor to withhold approval if the Studio will not re-open within 180 days of the closing of the previous Studio Location.

F. Franchisee (or, if Franchisee is a corporation, limited liability company, partnership, proprietorship or other entity, any principal of Franchisee) engages in an act that could be deemed a felony, fraud, crime involving moral turpitude, or any other crime or offense which Franchisor reasonably believes is related to Franchisee's operation of the franchised Studio, or is likely to have an adverse effect on the L.A. Bikini System, the Marks, the goodwill associated with the Marks or Franchisor's interest in the System or Marks.

G. A threat or danger to public health or safety results from Franchisee's continued operation of the franchised Studio.

H. Franchisee reuses, refurbishes, reprocesses, or recycles any Product, or sells such Products to third parties without the prior approval and written consent of Franchisor.

I. Franchisee fails to correct any local, state or municipal health or sanitation law or code violation within seventy-two hours after being cited for such violation.

J. Franchisee (or any principal of a corporate, limited liability company, partnership, proprietorship or other entity franchisee) purports to transfer any rights or obligations under this Agreement, any interest in Franchisee or the franchised Studio to any third party in violation of the terms of this Agreement.

K. Franchisee conceals revenues, knowingly maintains false books or records, falsifies information or otherwise defrauds or makes false representations to Franchisor, or, knowingly submits any substantially false report to Franchisor.

L. Franchisee engages in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice.

M. Franchisor causes an audit to be made for any period and the Gross Revenues as shown by Franchisee's weekly statements submitted to Franchisor is found to be understated by 5% or more for any calendar year.

N. Franchisee interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, customers, employees, or any third parties.

O. Franchisee interferes or attempts to interfere with Franchisor's ability or right to franchise or license others to use and employ the Marks and System or Franchisee makes any use of the Marks not authorized under this Agreement.

P. Franchisee receives three (3) notices of default within any eighteen (18) month period.

Q. Franchisee offers or sells any unapproved products and/or conducts (or permits the conducting of) any business other than the business contemplated by this Agreement at or from the Studio without Franchisor's prior written consent.

16.3 Termination by Franchisor - Fifteen Days to Cure

Except as provided above and in Section 8.1, Franchisee will have fifteen calendar days after its receipt from Franchisor of a written Notice of Termination to remedy any default under this Agreement not specified in the preceding section and to provide evidence that it has done so to Franchisor. If Franchisee has not cured any default within that time (or, if appropriate, Franchisee has not initiated action to cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the fifteen day period, or any longer period required by applicable law. All Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee's Studio.

16.4 Franchisee's Failure to Pay

Franchisee's failure to make payments of any Continuing Royalty Fee, Brand Development Fee or other money due and owing to Franchisor, after receipt from Franchisor of notice of the default granting an opportunity to cure (which opportunity to cure shall be at least ten (10) days), will be deemed Franchisee's willful and wrongful breach under this Agreement, for which Franchisor may terminate this Agreement and all related agreements between Franchisee and Franchisor or its affiliates.

16.5 Cross-Default

Any uncured default or breach by Franchisee of any other agreement between Franchisor or its affiliates and Franchisee and any affiliate of Franchisee or entity controlled by, controlling, or under common control with Franchisee will be deemed a default under this Agreement, and any uncured default or breach of this Agreement by Franchisee and any affiliate of Franchisee or entity controlled by, controlling, or under common control with Franchisee will be deemed a default or breach under any and all other agreements between Franchisor and Franchisee. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Franchisee in the same manner provided for in this Agreement for termination of this Agreement. However, these rights of termination shall apply only to defaults for which, pursuant to Section 16.2, the Franchisee has no opportunity to cure. Franchisee will be given the same opportunity to cure defaults under

any other agreement between Franchisor or its affiliates and Franchisee as Franchisee has under this Agreement.

16.6 Notice Required By Law

If any valid, applicable law or regulation of a competent governmental authority with Jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations.

17. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES ON TERMINATION OR EXPIRATION

17.1 Post-Termination Obligations

A. If this Agreement expires or terminates for any reason, Franchisee will cease to be an authorized L.A. Bikini franchisee and Franchisee will lose all rights to the use of the Marks, the L.A. Bikini System, and all Confidential Information and know-how owned by Franchisor.

B. Upon termination or expiration of this Agreement for whatever reason, Franchisee agrees to:

1. Immediately pay all sums due and owing to Franchisor or its affiliates, all sums due and owing to any lessor, employees, taxing authorities, advertising agencies and all other third parties, and shall immediately pay to Franchisor the full amount of the Studio's outstanding gift card/certificate liability.

2. Discontinue the use of the Marks, and not operate or do business under any name or in any manner which might tend to give the general public the impression that it is operating a L.A. Bikini Studio, or any similar business. Franchisee may not use, in any manner or for any purpose, directly or indirectly, any of Franchisor's Confidential Information, trade secrets, procedures, forms, techniques, know-how or materials acquired by Franchisee by virtue of the relationship established by this Agreement.

3. Take all necessary action to cancel any assumed name or equivalent registration which contains the Proprietary Mark "L.A. Bikini," or any other Proprietary Mark, or any variant of a Proprietary Mark, within fifteen days following termination or expiration of this Agreement. If Franchisee fails or refuses to do so, Franchisor may, in Franchisee's name, on Franchisee's behalf and at Franchisee's expense, execute all documents necessary to cause discontinuance of Franchisee's use of the name "L.A. Bikini," or any related name used under this Agreement Franchisee irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do so.

4. Upon any termination of this Agreement by Franchisor, Franchisor will have the right immediately to enter and take possession of Franchisee's Studio to maintain continuous operation of the previously-franchised Studio, provide for orderly change of

management and disposition of personal property, and otherwise protect Franchisor's interests. If Franchisee disputes the validity of Franchisor's termination of the franchise, Franchisor will nevertheless have the option (which Franchisee irrevocably grants) to operate the Studio business pending the final, unappealable determination of the dispute by a court of competent jurisdiction.

5. In the event of termination for any default by Franchisee or of termination by Franchisee through failure to make payment following notice to cure, pay to Franchisor all expenses it incurs as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' fees.

6. At Franchisor's option, which is exercisable in writing within thirty (30) days from the date of expiration or termination of this Agreement, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, assign to Franchisor any interest which Franchisee has in any Lease, right or entry or easement for the Studio Location, and vacate the Studio promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession.

7. If Franchisee owns the Studio Location, execute and deliver to Franchisor a lease for the Studio Location on commercially reasonable terms. If the parties cannot agree on such terms within a reasonable time, Franchisor will designate an independent appraiser. The appraiser's determination will be binding, and Franchisee shall execute and deliver to Franchisor a lease for the Studio Location on the terms determined by the appraiser to be commercially reasonable. Franchisor and Franchisee will each pay 50% of the fee charged by the independent appraiser. Upon its execution of the lease for the Studio Location, Franchisee agrees to vacate the Studio promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession.

8. Immediately deliver to Franchisor all training or other manuals furnished to Franchisee (including the Manual and supplements to the Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear the Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of Franchisor, and any copies of them in Franchisee's possession which relate to the operation of the franchised Studio.

9. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.

10. Cease using the telephone numbers listed in the Yellow Pages, White Pages or any other telephone directories under the name "L.A. Bikini" or any other confusingly similar name or directory listing relating to the franchised Studio. Franchisee agrees that Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers and directory listings for the Studio and to authorize the telephone company and all listing

agencies to transfer to Franchisor or to any other person and location that Franchisor directs all telephone numbers and directory listings of the Studio.

11. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in this Agreement

12. Continue to abide by those restrictions pertaining to the use of Franchisor's Confidential Information set forth in this Agreement.

13. Immediately surrender to Franchisor all computer software, data storage disks or tapes used in the operation of the franchised Studio, printouts, and other information pertaining to computer operations, codes, procedures and programming.

14. If Franchisor elects not to assume possession of the Studio, then promptly upon termination or expiration, Franchisee agrees to perform all reasonable redecoration and remodeling of the Studio as Franchisor considers necessary in its reasonable judgment to distinguish the Studio from a L.A. Bikini Studio.

C. The expiration or termination of this Agreement will be without prejudice to Franchisor's rights against Franchisee, and will not relieve Franchisee of any of its obligations to Franchisor at the time of expiration or termination, or terminate Franchisee's obligations which by their nature survive the expiration or termination of this Agreement.

18. NOTICES

Any notice required or permitted to be given under this Agreement shall be in writing, shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by overnight mail or by facsimile transmission, and, will be effective on the date that delivery is documented to have been first attempted Any notice to Franchisor shall be addressed to Franchisor at:

LAB Holding Company, LLC
4441 Creekside Avenue
Suite 129
Hoover, Alabama 35244

Any notice to Franchisee shall be addressed to Franchisee at:

Either party to this Agreement may, in writing, on ten days' notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

19. ARBITRATION

19.1 Disputes Subject to Arbitration. Except as expressly provided to the contrary in Section 19.6 of this Agreement, all disputes and controversies between Franchisee and Franchisor, including but not limited to allegations of fraud, misrepresentation and violation of any state or federal laws or regulations, arising under, as a result of, relating to, or in connection with this Agreement or the Studio are subject to and will be resolved exclusively by arbitration conducted in accordance with the Commercial Rules and Regulations of the American Arbitration Association.

19.2 Notice of Dispute. The party alleging the dispute must provide the other party with written notice setting forth the alleged dispute in detail. The party who receives written notice alleging the dispute will have thirty (30) days after receipt of the written notice to resolve the dispute specified in the written notice. If the written notice alleges that Franchisee is delinquent in the payment of any fees or other payments payable to Franchisor, Franchisee will have ten (10) days to make full payment (including interest and administrative fees as provided for herein) to Franchisor.

19.3 Demand for Arbitration. If the dispute alleged by either party has not been corrected, settled or compromised within the time period provided for in this Agreement, then either party may demand arbitration by giving the other party written notice. Within ten (10) days after a written demand for arbitration has been delivered by the party demanding arbitration, either party will have the right to request the office of the American Arbitration Association to initiate the procedures necessary to appoint an arbitrator. If the alleged dispute includes a claim for damages in excess of two hundred thousand dollars (\$200,000), then either party will have the right to demand that the arbitration hearings be conducted by three (3) arbitrators. The arbitrator(s) will be appointed as provided herein within sixty (60) days after a written demand for arbitration has been made in accordance with the Commercial Rules and Regulations of the American Arbitration Association.

19.4 Venue, Jurisdiction, and Applicability of Federal Law. All arbitration hearings will take place exclusively in Birmingham, Alabama. Franchisor and Franchisee, its officers, directors and owners do hereby agree and submit to personal jurisdiction in the State of Alabama in connection with any arbitration hearings hereunder and any suits brought to enforce the decision of the arbitrator(s), and do hereby waive any rights to contest venue and jurisdiction in the State of Alabama and any claims that venue and jurisdiction are invalid. Franchisor and Franchisee agree that this Agreement evidences a transaction involving interstate commerce and that the enforcement of this arbitration provision and the confirmation of any award issued to either party by reason of an arbitration conducted pursuant to this arbitration provision is governed by the Federal Arbitration Act, 9 U.S.C. § 1, *et seq.*

19.5 Powers of Arbitrator(s). The authority of the arbitrator(s) will be limited to making a finding, judgment, decision and award relating to the interpretation of or adherence to the written provisions of this Agreement. Both parties will have the absolute right to cross-examine any person who has testified against them or in favor of the other party. The arbitrator(s) will have no authority to add to, delete or modify in any manner the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the arbitrator(s) will be limited to

the dispute set forth in the written demand for arbitration, and the arbitrator(s) will have no authority to decide any other issues. The arbitrator(s) will not have the right or authority to award punitive or exemplary damages to either Franchisor or Franchisee or their officers, directors, shareholders or owners, and Franchisor, Franchisee and their officers, directors, shareholders and owners expressly waive their rights to plead or seek punitive or exemplary damages. All findings, judgments, decisions and awards by the arbitrator(s) will be in writing, will be made within thirty (30) days after the arbitration hearings have been completed, and will be final and binding on Franchisor and Franchisee. The written decision of the arbitrator(s) will be deemed to be an order, judgment and decree and may be entered as such in any court of competent jurisdiction by either party thirty (30) days thereafter. If, during the course of arbitration, either party fails to appear at a meeting or hearing duly scheduled in accordance with the Commercial Rules and Regulations of the American Arbitration Association, the arbitrator(s) will have the absolute right to enter a default judgment against the party failing to appear and may grant a remedy and relief in favor of the moving party.

19.6 Disputes not Subject to Arbitration. The following disputes between Franchisor and Franchisee will not be subject to arbitration: (a) Franchisee's misuse of the Marks or the System; (b) the obligations of Franchisee upon termination or expiration of this Agreement; (c) the sale, transfer or assignment of this Agreement, the Studio or any interests therein; and (d) Franchisee's violation of the provisions of this Agreement relating to confidentiality or covenants not to compete.

19.7 Confidentiality. All evidence, testimony, records documents, findings, decision, judgments and awards pertaining to any arbitration hearing between Franchisor and Franchisee will be confidential in all respects. Franchisor and Franchisee will not disclose the decision or award of the arbitrator(s) and will not disclose any evidence, testimony, records, documents, findings, orders or other matters from the arbitration hearing to any person or entity except as required by law. For avoidance of doubt, the parties agree that the foregoing restrictions shall not apply to information required to be included within the franchise disclosure documents as mandated by federal or state law.

19.8 Performance During Arbitration of Disputes. Franchisor and Franchisee will comply with all of the terms and conditions of this Agreement and will fully perform their respective obligations under this Agreement during the entire time of this arbitration process.

20. MISCELLANEOUS

20.1 Construction and Interpretation, Further Acts

The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Franchisee. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

20.2 No Waiver

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement.

20.3 Severability

If there is any conflict between any provision of this Agreement and any statute, law, ordinance or regulation the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect.

20.4 Entire Agreement

This Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

20.5 Attorneys' Fees

In any dispute arising from or relating to this Agreement, the prevailing party will be entitled to recover the other party its reasonable attorneys' fees, court costs and all other expenses of litigation or arbitration.

20.6 Governing Law

Except to the extent governed by the Federal Arbitration Act (9 U.S.C. § 1, *et seq.*), the United States Lanham Trademark Act (15 U.S.C. § 1051, *et seq.*), or other United States Federal Law, this Agreement, all relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Alabama without regard to principles of conflicts of law.

20.7 Venue

Any permissible litigation arising out of or related to this Agreement, any breach of this Agreement, the relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in and for Jefferson County, Alabama. Franchisor and Franchisee do hereby agree and submit to personal jurisdiction of such courts in connection with any permissible litigation hereunder and any suits brought to enforce the decision of the arbitrator(s),

and do hereby waive any rights to contest venue and jurisdiction in the such courts and any claims that venue and jurisdiction are invalid or inconvenient.

20.8 Waiver of Jury Trial

With respect to any dispute that may be resolved by litigation pursuant to this Agreement, all parties hereby waive any and all rights to a trial by jury in connection with any permissible litigation between the parties arising from or relating to this Agreement, the entry into this Agreement, its performance, breach, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for any claims arising from or relating to this Agreement, whether now existing or arising in the future.

20.9 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable attorneys' fees. Franchisee waives and disclaims any right to consequential, incidental, indirect, special, and lost profits damages in any action or claim against Franchisor concerning this Agreement or any other agreement with Franchisor. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to an amount equal to Franchisee's Initial Franchise Fee and Continuing Royalty Fee payments.

20.10 Limitation on Actions

Franchisee and its owners agree that for Franchisor's system to function properly, Franchisor must not be burdened with the cost of litigation of system wide disputes. Accordingly, any dispute between Franchisor and Franchisee shall be considered unique as to its facts and shall not be brought as a class action and Franchisee waives any rights to proceed against Franchisor by way of class action. In any legal action between the Franchisor and Franchisee the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving Franchisor and any other franchisee and each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

20.11 Survival

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

20.12 Multi-State Addenda

Attached as Exhibit H to this Agreement (the "Multi-State Addenda") and incorporated herein by this reference, as applicable, are additional terms and conditions applicable to franchisees and

their principals based in certain states within the United States of America. Each provision of the Multi-State Addenda shall be effective only to the extent that the jurisdictional requirements of the applicable state law are applicable to the provisions of this Agreement are met independent of the Multi-State Addenda. To the extent the Multi-State Addenda shall be deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments thereto [other than the applicable Multi-State Addenda]), the terms of the Multi-State Addenda shall control.

21. ACKNOWLEDGMENTS

21.1 Receipt of this Agreement and the Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received an exact copy of this Agreement and its exhibits at least seven (7) calendar days prior to the date on which this Agreement was executed.

21.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

21.3 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a L.A. Bikini Studio business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

21.4 No Guarantee of Success

Franchisee represents and acknowledges that it has not received nor relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the L.A. Bikini Studio business. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

21.5 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

22. SECURITY INTEREST

21.1 Collateral

Franchisee grants to Franchisor a security interest (“Security Interest”) in all of the furniture, fixtures, equipment, signage, and realty (including Franchisee’s interests under all real property and personal property leases) of the Studio together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Studio. All items in which a security interest is granted are referred to as the “Collateral”.

22.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the “Indebtedness”): (a) all amounts due under this Agreement or otherwise by Franchisee; (b) all sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorneys’ fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments.

Our Security Interest, as described herein, shall be subordinated to any financing related to your operation of the Business.

22.3 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

22.4 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

22.5 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be

conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

22.6 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, to be effective as of the Effective Date.

FRANCHISOR:
LAB HOLDING COMPANY, LLC

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

**EXHIBIT A TO FRANCHISE AGREEMENT
FRANCHISE PROTECTED AREA; STUDIO LOCATION**

Site Selection Territory

The Site Selection Territory as defined in Section 1.2 of the Franchise Agreement shall be _____ (the "Site Selection Territory")

Location

The Location as defined in Section 1.1 of the Franchise Agreement shall be: _____ (the "Location")

Protected Area

The Protected Area as defined in Section 1.2 of the Franchise Agreement shall be _____ (the "Protected Area").

EXHIBIT B TO FRANCHISE AGREEMENT

GUARANTY

In consideration of the execution by LAB Holding Company, LLC (“Franchisor”) of the L.A. Bikini Franchise Agreement dated the ____ day of _____, 20____, between Franchisor and _____. (“Franchisee”) (the “Franchise Agreement”), and for other good and valuable consideration, including Franchisor’s execution of or consent to the transfer of the Franchise Agreement, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one (1) person has executed this Guaranty, the term “the undersigned”, as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually, and jointly and severally, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor, and agree that this Guaranty shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder (a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered, (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added, (c) any right or remedy under the Agreement, this Guaranty or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended, and, (d) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Franchisee, or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors, or assigns, with respect to the Franchisee Agreement or any other agreement(s) by and between Franchisee and Franchisor, shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty shall inure to the benefit of the Franchisor, its successors, and assigns. The Guaranty may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

Should any one (1) or more provisions of this Guaranty be determined to be illegal or unenforceable, and all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty effective as of the date of the Franchise Agreement.

Dated _____
Name _____

Dated _____
Name _____

Dated _____
Name _____

**EXHIBIT C TO FRANCHISE AGREEMENT
CONFIDENTIALITY/NON-COMPETITION AGREEMENT
NAME OF FRANCHISEE**

(Hereinafter the “Company”)

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This Non-Disclosure and Non-Competition Agreement (“Agreement”) is entered into by the undersigned (the “Recipient”) as of the date written below.

The Company is a Franchisee of LAB Holding Company, LLC (“Franchisor”), pursuant to which it has been granted a non-exclusive license to use the trademarks and service marks licensed by Franchisor, the business systems identified by such Marks (the “System”), and certain confidential information.

In consideration of the Recipient’s employment by the Company, and as a material inducement for the Company to disclose certain confidential and/or proprietary information to the Recipient in connection with the business of being a franchisee of Franchisor, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Recipient agrees to be bound by the following representations, warranties and covenants, to be effective, during and at all times after the Recipient’s employment by or affiliation with the Company.

1. The Recipient may have received or been given access to, or will receive or be given access to, certain confidential information and trade secrets of Franchisor and/or the Company, all relating to or useful in the Company’s business and all labeled, treated as, or otherwise considered by Franchisor and/or the Company as confidential or proprietary information (collectively, the “Confidential Information”). The Confidential Information includes, without limitation, the Franchisor confidential manuals, memoranda, agreements, correspondence, records, plans and reports used or created by the Company or supplied to the Company by Franchisor, know-how, identities of current and prospective customers and suppliers, advertising and marketing techniques, procedures and techniques, and operational and quality assurance procedures.

2. The Recipient represents, warrants and agrees that the Recipient will keep any and all of the Confidential Information from being made known or disclosed to any person or entity, except for the exclusive use and benefit of the Company or Franchisor. The Recipient shall not reproduce, or permit the reproduction, directly or indirectly, of any of the Confidential Information except as required by the Company, or permit the removal of, nor shall the Recipient remove, any of the Confidential Information from the premises of the Company.

3. The Confidential Information is the exclusive property of the Franchisor and/or the Company. Upon request by the Company, and in any event upon termination of the Recipient’s employment or affiliation for whatever reason, the Recipient shall return to the Company all documents and other material in the Recipient’s possession or under the Recipient’s control which may contain or be derived from Confidential Information, together with all documents, notes, or other work product which is connected with or derived from the Recipient’s employment by, or ownership of, the Company. The Recipient shall, from time to time as may be requested by the Company, do all things which may be necessary to establish or document the Company’s rights of any such work product.

4. The Recipient shall promptly provide notice to the Company if the Recipient knows for or suspects the disclosure of any Confidential Information by any person or entity, which disclosure would not be permitted if such person or entity were bound by the terms of this Agreement.

5. The Recipient acknowledges and agrees that Recipient has received or will receive specialized or unique training relating to the use of Franchisor's System and branded products used in Company's Studio and that Franchisor has a legitimate business interest and would be unable to protect its System, the trademarks, service marks and its Confidential Information against unauthorized use or disclosure and Franchisor would be irreparably harmed and unable to encourage a free exchange of ideas and information among the franchisees within the Franchisor's franchise system if the Recipient were permitted to engage in the acts described below. The Recipient covenants that during the Recipient's relationship with the Company (as an employee or independent contractor) and (except as provided in Sections 5(e) and (f) below) for ~~a 12~~an 18-month period thereafter, the Recipient will not:

(a) Directly or indirectly, solicit or otherwise attempt to induce, by combining or conspiring with, or attempting to do so, or in any other manner influence any employee, officer, director, agent, consultant, representative, supplier, contractor or distributor of the Company to terminate or modify his or her position with, or to compete against, the Company or Franchisor,

(b) Directly or indirectly, solicit or perform any services of the kind offered by Company or the Franchisor on any present or former customer of Franchisor or the Company,

(c) In addition to, and not in limitation of other provisions hereof, the Recipient shall not in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Company or Franchisor,

(d) Solicit any customer of Company or Franchisor,

(e) Recognizing that the specialized or unique training that has been provided to the Recipient is specifically tailored to use of branded products used in Company's Studio (including but not limited to Alexandria Professional products), (i) purchase, directly or indirectly, branded products used in Company's Studio for use or for resale in a business that engages in sugaring services, or (ii) use branded products used in Company's Studio in any business that engages in sugaring services, during the Recipient's relationship with the Company (as an employee or independent contractor) and for a 24-month period thereafter,

(f) ~~(e)~~ Engage in or become interested in the same or substantially similar business as Company within a ~~fifteen~~thirty (1530) mile radius of the Company's Studio or any other L.A. Bikini Studios, including but not limited to the operation of a business offering sugaring services, directly or indirectly, whether as an individual, partner, shareholder, director, officer, principal ~~or agent~~, employee, contractor, or agent during the Recipient's relationship with the Company (as an employee or independent contractor) and for a 24-month period thereafter. This paragraph shall not be interpreted so as to prevent the Recipient from working as an employee at a business that engages in sugaring services provided that all other provisions of this Agreement are compiled with.

6. Recipient acknowledges and agrees that as between Recipient and Company, Company's existing customers belong to the Company and not the Recipient, and that Recipient is not entitled to maintain a list of Company's customers. Recipient further acknowledges and agrees that Company's customer list is a unique and valuable asset of the Company and Company shall be irreparably harmed if Recipient were permitted to use Company's customer list for any purpose other than to benefit Company.

7. The existence of any claim or cause of action by the Recipient against the Company predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company and/or Franchisor of this Agreement. Any failure to object to any conduct in violation of this Agreement shall not be deemed a waiver by the Company or Franchisor. In the event that any court shall finally hold that any other provision stated in this Agreement constitutes an unreasonable restriction upon the Recipient, the Recipient hereby expressly agrees that the provisions of this Agreement shall not be rendered void, but shall apply to such other extent as such court may judicially determine or indicate constitutes a reasonable restriction under the circumstances involved. The Recipient agrees that it shall forthwith comply with any covenant as so modified, which is fully enforceable to the extent permitted by applicable law. The obligations of the Recipient to Franchisor are in addition to, and not in lieu of, any additional or more restrictive obligations the Recipient may have to Franchisor in any other agreement.

8. The Recipient acknowledges and confirms that the restrictions contained herein are fair and reasonable and not the result of overreaching, duress or coercion of any kind. The Recipient further acknowledges and confirms that his or her full, uninhibited and faithful observance of each of the covenants contained in this Agreement will not cause any undue hardship, financial or otherwise, and that the enforcement of each of the covenants contained in this Agreement will not impair his or her ability to obtain employment commensurate with his or her abilities and on terms fully acceptable to the Recipient or otherwise to obtain income required for his or her comfortable support and of his or her family, and the satisfaction of the needs of his or her creditors. The Recipient acknowledges and confirms that his or her special knowledge of the Franchisor/Company's business (and anyone acquiring such knowledge through the Recipient) is such as would cause the Company and Franchisor serious injury and loss if the Recipient (or anyone acquiring such knowledge through the Recipient) were to use such ability and knowledge to the detriment of the Company or Franchisor.

9. In the event the Company should bring any legal action or other proceeding for the enforcement of this Agreement, the time for calculating the term of the restrictions therein shall not include the period of time commencing with the filing of legal action or other proceeding to enforce the terms of this Agreement hereof through the date of final judgment or final resolution, including all appeals, if any, of such legal action or other proceeding.

10. The parties recognize the necessity of the Recipient's compliance with the terms of this Agreement to Franchisor as the franchisor of the business operated by the Company. Accordingly, the Recipient agrees and acknowledges that Franchisor is a third party beneficiary of the Recipient's obligations hereunder and Franchisor is entitled to all rights and remedies

conferred upon the Company or Franchisor hereunder, which Franchisor may enforce directly against the Recipient with or without the consent or joinder of the Company.

11. No modification or waiver of any of the terms of this Agreement are effective unless made in writing and signed by the Recipient, the Company, and Franchisor. All of the terms of this Agreement is binding upon, inure to the benefit of, and enforceable by the Recipient, the Company, and Franchisor and their respective legal representatives, heirs, successors and assigns.

12. The Confidential Information is a unique and valuable asset of the Company and Franchisor, and the Company and Franchisor shall be irreparably damages (and damages at law would be an inadequate remedy) if this Agreement is not specifically enforced. Therefore, in the event of a breach or threatened breach by the Recipient of this Agreement, the Company and Franchisor shall be entitled to injunctions restraining such breach, without being required to show any actual damage to or post any bond or other security, and/or to a decree for specific performance of this Agreement. The Recipient irrevocably and unconditionally (a) agrees that any legal proceeding relating to this Agreement shall be brought in the state courts in Jefferson County or the District Court of the United States, Northern District of Alabama, (b) consents to the jurisdiction of each such court, and (c) waives any objection which the Recipient may have to the laying of venue of any proceeding in any of such courts.

13. The Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Alabama.

14. The Company and/or Franchisor shall be entitled to recover from Recipient all reasonable attorney's fees, costs and expenses incurred by or on behalf of the Company and/or Franchisor in matters arising out of or related to the interpretation or enforcement of any provision of this Agreement or any of the Company's or Franchisor's rights hereunder.

15. This Agreement has been carefully reviewed, negotiated, understood and agreed to by all parties hereto. In the event of any ambiguities in this Agreement, any statute or rule of construction that ambiguities are to be resolved against the drafter of the agreement shall not be employed in the interpretation of this Agreement.

16. This Agreement neither creates nor is intended to imply the existence of an employment contract and does not represent a promise or representation of employment or continued employment. Nothing in this Agreement shall change the "at-will" nature of Recipient's employment relationship with the Company.

Dated _____

RECIPIENT

_____ (Signature)

Dated _____

COMPANY

By _____

Its _____

EXHIBIT D TO FRANCHISE AGREEMENT

BANK DEBIT AUTHORIZATION AGREEMENT

I, _____, for and on behalf of _____ (“Franchisee”), the operator of a L.A. Bikini Studio identified below (“Franchised Business”), hereby authorize LAB Holding Company, LLC (“Franchisor”) to debit on the Wednesday of each week for the prior week (Monday – Sunday) from the Franchised Business’s bank account, the amount of Royalty, Marketing, Late Report Fees, Late Payment Fees, Required Audit Fees, Interest, or any other amounts due to the Franchisor or its affiliates based on Gross Revenues received by the Franchised Business and product purchases, for each and every preceding week, in accordance with the provisions of the franchise agreement executed between Franchisor and Franchisee.

Franchised Business Bank Information

Bank Name	
Bank Address	
Account Name	
Account Number	
ABA Routing Number	

By _____

Its _____

Date _____

**EXHIBIT E TO FRANCHISE AGREEMENT
MARKS**

Licensed Marks:

L.A. BIKINI



EXHIBIT F TO FRANCHISE AGREEMENT

Ownership Addendum to Franchise Agreement

1. If Franchisee is a corporation, limited liability company or partnership, set forth below are the names and addresses of each shareholder, member or partner in Franchisee:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

2. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth above.

3. Franchisee promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee

4. Franchisee shall cause all of its current and future shareholders, members and partners to execute Franchisor's standard form of Guaranty

This Addendum is effective as of this ____ day of _____, 20____.

Franchisee

By: _____

Name: _____

Its: _____

EXHIBIT G TO FRANCHISE AGREEMENT

Collateral Assignment of Lease

FOR VALUE RECEIVED, the undersigned _____ (“Assignor”), hereby assigns, transfers and sets over unto LAB Holding Company, LLC, an Alabama limited liability company (“Assignee”) all of Assignor’s right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1 (the “Lease”) for the premises commonly known as _____. This Agreement is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment of the Lease unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligation to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon default by Assignor under the Lease or under the franchise agreement between Assignee and Assignor (the “Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing said Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and the renewal thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

This _____ day of _____, 20__.

[Remainder of page intentionally left blank. Signature page follows.]

ASSIGNOR:

By: _____

Name: _____

Title: _____

ASSIGNEE:

LAB HOLDING COMPANY, LLC

By: _____

Name: _____

Title: _____

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under that certain lease, a copy of which is attached hereto as Exhibit 1, hereby:

- (a) agrees to notify LAB Holding Company, LLC (the “Assignee”) in writing of each default by LAB Studio, Inc. (the “Assignor”) under the Lease;
- (b) agrees to notify Assignee in writing of all cures, attempts to cure and failure to cure by Assignor;
- (c) agrees to notify Assignor of each modification or amendment to the lease, which modification or amendment may only be binding upon Assignee’s consent thereto; and
- (d) consents to that certain Collateral Assignment of Lease dated _____ by and between Assignor and Assignee, a copy of which is attached hereto as Exhibit 2, and agrees that if Assignee shall take possession of premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant thereunder, Lessor shall recognize Assignee as tenant under the Lease, and Assignee shall not be liable for prior defaults or for obligations prior to the date of assumption, but shall be liable for all obligations arising thereafter.

Dated: _____

LESSOR: _____

By: _____
Name: _____
Title: _____

ASSIGNEE:
LAB HOLDING COMPANY, LLC

By: _____
Name: _____
Title: _____

ASSIGNOR:

By: _____
Name: _____
Title: _____

EXHIBIT H TO FRANCHISE AGREEMENT

MULTI-STATE ADDENDA

FOR THE STATE OF CALIFORNIA

In recognition of the requirements of California Corporations Code sections 31201 and 31512, the Franchise Agreement for LAB Holding Company, LLC is amended as follows:

Sections 21.1 – 21.4 of the Franchise Agreement are deleted in their entirety.

FOR CALIFORNIA FRANCHISEES ONLY (PLEASE SEE SECTION 20.12 OF THE FRANCHISE AGREEMENT):

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

(type/print name)

By: _____

Name: _____

Title: _____

FOR THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for LAB Holding Company, LLC is amended as follows:

Illinois law governs the Agreements.

Payment of Initial Franchise Fees/Development Fees will be deferred until Franchisor has met its initial obligations, 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.

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.

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.

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

Sections 1.5(7) and 13.4(9) are amended to add:

No general release shall be required as a condition of renewal or transfer or as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise that is intended to require Franchisee to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.

Sections 16, 17, and 19 are amended to add:

The conditions under which the Franchise Agreement can be terminated and Franchisee's rights upon termination or non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

Section 20.10 is amended to add:

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one

(1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.

Sections 19.4, 20.6, and 20.7 are amended to add:

The Franchise Agreement shall be governed by Illinois Law. Jurisdiction and venue for court litigations shall be in Illinois. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State is void; provided, that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.

Section 20.8 is deleted in its entirety.

2. Any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

FOR ILLINOIS FRANCHISEES ONLY (PLEASE SEE SECTION 20.12 OF THE FRANCHISE AGREEMENT):

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

(type/print name)

By: _____

Name: _____

Title: _____

FOR THE STATE OF MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Franchise Agreement agree as follows:

Sections 16 and 17 are amended to add that with respect to franchises governed by Minnesota Law, Franchisor shall comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires, (except in certain specified cases) (1) that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Sections 1.5(7) and 13.4(9) do not provide for a prospective general release of any claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Section 14 is amended to add that as required by Minnesota Franchise Act, Franchisor shall reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. Franchisor will reasonably protect Franchisee's rights to use the Marks.

Section 12.4 is amended to provide that Franchisor is entitled only to seek an injunction or other equitable relief. Section 12.4 is further amended to add that a court will determine if a bond is required.

Section 20.10 of the Franchise Agreement shall be amended to provide that no action may be commenced pursuant to the Franchise Agreement more than three (3) years after the cause of action accrues in accordance with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce (1) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) Franchisee's

rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

FOR MINNESOTA FRANCHISEES ONLY (PLEASE SEE SECTION 20.12 OF THE FRANCHISE AGREEMENT):

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

(type/print name)

By: _____

Name: _____

Title: _____

Exhibit D

Multi-Unit Development Agreement and Exhibits

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT is made and entered into this _____ day of _____, 20__ (the “Effective Date”), between LAB Holding Company, LLC, a Delaware limited liability company, with its principal office at 4441 Creekside Avenue, Suite 129, Hoover, Alabama 35244 (“LAB Holding,” “Franchisor,” the “Company,” or “Us”) and _____ whose principal address is _____ (“Developer” or “You”).

RECITALS

WHEREAS, Franchisor is the sole and exclusive owner of the right to license a proprietary system for the temporary removal of body and facial hair using certain proprietary products, which is offered under the trade name and licensed and federally registered trademark L.A. BIKINI (the “L.A. Bikini System”); and

WHEREAS, Franchisor desires to expand and develop its franchise business, and seeks sophisticated and efficient multi-unit developers willing to develop numerous L.A. BIKINI Studios within designated areas; and

WHEREAS, Developer desires to be granted the opportunity, subject to the terms and conditions of this Agreement, to develop franchised L.A. BIKINI Studios in a limited geographic area for each Studio, each of which are more particularly described in Exhibit A to this Agreement (“Development Areas”); and

WHEREAS, Franchisor is willing to grant Developer the opportunity to develop L.A. BIKINI Studios in a Development Area for each Studio, subject to the terms and conditions of this Agreement, with the operation of each Studio governed by a separate franchise agreement.

NOW, THEREFORE, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1 Development Rights

A. Subject to the provisions of this Agreement, Franchisor hereby grants to Developer, and Developer hereby accepts, the right and obligation to develop within the Development Areas designated in Exhibit A to this Agreement the cumulative number of L.A. BIKINI Studios (“**Studio**” or “**Studios**”) identified in Exhibit B to this Agreement (as set forth in Section 2.1) during the term of this Agreement (“**Development Term**”) within the Development Areas.

B. Upon the timely completion of the L.A. BIKINI Studios identified in Exhibit B to this Agreement (the “**Specified Studios**”), Franchisor may, in its sole discretion, grant Developer the right to develop and open such additional number of Studio(s) within Development Areas specified by Franchisor in its sole discretion (“**Additional Studio(s)**”). Franchisor’s decision to grant Developer the right to develop and open Additional Studio(s) shall

be subject to the following conditions:

1. Developer shall have timely opened all Specified Studios in accordance with the Development Schedule set forth in Exhibit B, without extension;
2. Developer shall not then be in default under this Agreement, the franchise agreement for each Studio, any other agreement involving the operation of a Studio, including any Lease, or any other agreement with Franchisor or its affiliates;
3. Developer demonstrates that it has the financial and managerial ability necessary, among other things, in Franchisor's reasonable judgment, to develop and operate Additional Studio(s);
4. The location(s) for such Additional Studio(s) is approved by Franchisor;
5. Developer and Franchisor shall have agreed on the number of Additional Studio(s), the Development Area for each Studio, and the time frame for opening such Additional Studio(s); and
6. Developer shall sign the then-current franchise agreement and additional agreements for such Additional Studio as Franchisor shall then require.

1.2 Development Right Only

This Agreement is not a license or a franchise agreement. It does not give Developer the right to operate Studios or to use any part of the L.A. BIKINI System, or the Proprietary Marks. In addition, this Agreement does not give Developer the right to license others to operate Studios or use any part of the L.A. BIKINI System or the Proprietary Marks. This Agreement gives Developer the opportunity to enter into franchise agreements for the operation of Studios at locations solely within a Development Area assigned to each Studio and approved by Franchisor. Each Studio developed pursuant to this Agreement shall be established and operated only in strict accordance with a separate franchise agreement. Developer's right to use any part of the L.A. BIKINI System or the Proprietary Marks shall only be derived under a franchise agreement with Franchisor. Developer hereby acknowledges and agrees that the L.A. BIKINI System and the Proprietary Marks are solely owned by and are the valuable property right of Franchisor and/or its affiliates. Any unauthorized use of the L.A. BIKINI System and the Proprietary Marks shall constitute a material breach of this Agreement and an infringement of Franchisor's (and/or its affiliate's) rights in and to the L.A. BIKINI System and the Proprietary Marks.

1.3 No Subfranchising by Developer

Developer shall not offer, sell, or negotiate the sale of "L.A. BIKINI" franchises to any third party, either in Developer's own name or in the name and on behalf of Franchisor, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Developer the right to do so.

1.4 Forms of Agreement

Developer acknowledges that, over time, Franchisor will enter into agreements with other developers and with franchisees that may contain provisions, conditions, and obligations that differ materially from those contained in this Agreement. The existence of different forms of agreements and the fact that Franchisor and other developers and franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

1.5 Rights Reserved by Franchisor

Except as expressly limited by Section 1.6 below, Franchisor retains all rights with respect to L.A. BIKINI Studios, the L.A. BIKINI System and Proprietary Marks and the sale of products and other goods and services, anywhere in the world, including, without limitation, the right to: (i) issue competing franchises and to directly or indirectly develop and operate competing company-owned businesses under the Marks for or at any locations outside Developer's Development Areas; (ii) solicit prospective Developers and grant other persons the right to operate L.A. BIKINI Studios through national or regional advertising, trade shows or conventions, or using or through the Internet, Intranet or other forms of e-commerce or through similar means; (iii) sell, solicit, recruit and provide services for L.A. BIKINI Studios or any franchised business not defined as a L.A. BIKINI Studio in the Franchise Agreement; (iv) sell, and provide the products and/or services authorized for sale by, L.A. BIKINI Studios under the Marks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels for distribution, including within close proximity to Developer's L.A. BIKINI Studio, pursuant to such terms and conditions as Franchisor considers appropriate; and (v) solicit prospective Developers for, and own and operate, businesses and Studios of any other kind or nature, anywhere.

1.6 Limited Rights

A. Provided that Developer is in compliance with the terms of this Agreement and any other agreements with Franchisor or its affiliates and is current on all obligations due to Franchisor and its affiliates, and except as reserved in the preceding Section 1.5 and except if a L.A. BIKINI Studio(s) is already operating in any Development Area granted to any particular Studio as of the Effective Date, Franchisor will not, during the Development Term, operate or license others to operate Studios identified by the name and mark "L.A. BIKINI" in the Development Areas. The restrictions contained in this Section 1.6 are applicable only to Franchisor and its franchisees.

B. Developer acknowledges that this Agreement confers no trade or marketing exclusivity in the Development Areas on Developer, and Franchisor, its affiliates, subsidiaries, franchisees, and licensees may solicit, service, advertise and offer their products and services to any individual or entity, regardless of his/her or its geographic location, including within the Development Areas.

2. DEVELOPER'S DEVELOPMENT OBLIGATIONS

2.1 Minimum Development Obligation

During the Development Term, Developer shall timely develop, open and continuously operate within each Development Area granted not less than the cumulative number of Studios set forth in Exhibit "B" (the "**Development Schedule**"). For each Studio to be developed during the Development Term, Developer shall have obtained Franchisor's prior written approval of the site at which Developer's Studios will be located, by the site approval date listed in the Development Schedule in the attached Exhibit "B." Strict compliance with the Development Schedule is essential to this Agreement. Any failure by Developer in fulfilling its obligations to develop, open and continuously operate any Studio when required by the Development Schedule or to obtain site approval by the date specified in the Development Schedule (collectively, the "**Minimum Development Obligations**") shall constitute a material, non-curable breach of this Agreement permitting Franchisor to immediately terminate this Agreement by giving written notice of termination to Developer. **Developer acknowledges that this Agreement may require Developer to pursue and develop multiple projects at the same time, and that time is of the essence with respect to Developer's development and opening of the Studios.**

2.2 Force Majeure

A. Should Developer be unable to meet the Minimum Development Obligation solely as the result of Force Majeure, including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, without limitation, any legal disability of Franchisor to deliver a Franchise Disclosure Document pursuant to Section 6.2 of this Agreement), which result in the inability of Developer to construct or operate Studio(s) in the Development Areas, and which Developer could not by the exercise of due diligence have avoided, the time periods in the Development Schedule shall be extended by the amount of time during which such Force Majeure shall exist and only as to those time periods affected by the Force Majeure. Developer's inability to obtain financing (regardless of the reason) shall not constitute Force Majeure under this Agreement.

B. Should Franchisor be unable to meet any of its obligations under this Agreement solely as the result of Force Majeure, including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, without limitation, any legal disability of Franchisor to deliver a Franchise Disclosure Document pursuant to Section 6.2 of this Agreement), the time for performance of such obligation shall be extended by the amount of time during which such Force Majeure shall exist.

C. The party whose performance is affected by an event of Force Majeure shall immediately give written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration.

3. DEVELOPMENT AREA

3.1 Description of Development Areas

The Development Areas shall be the geographic areas for each particular Studio described in Exhibit A to this Agreement. Developer may not change its Development Areas without

obtaining Franchisor's prior written approval, which may be withheld for any or no reason and in Franchisor's sole discretion.

4. TERM OF MULTI-UNIT DEVELOPMENT AGREEMENT

4.1 Development Term

Subject to the terms and provisions of this Agreement, the term of this Agreement shall commence on the Effective Date and shall expire on the first to occur of: (1) the date the last Studio required to be opened as set forth in the Development Schedule actually opens for business; or (2) the date the last Studio was required to be opened as set forth in the Development Schedule (“**Development Term**”).

4.2 Renewal

Developer shall have no right to renew this Agreement.

5. PAYMENTS BY DEVELOPER

5.1 Initial Franchise Fees for Specified Studios

Upon execution of this Agreement, Developer must pay Franchisor an Initial Franchise Fee of thirty-five thousand and no/100 dollars (\$35,000) for the first Specified Studio and an Initial Franchise Fee as follows for additional Specified Studios on the Development Schedule: ~~(a) a~~ A reduced Initial Franchise Fee of twenty-five thousand and no/100 dollars (\$25,000) per Studio for each of the second, ~~third, and fourth Specified Studios, and (b) a reduced Initial Franchise Fee of twenty thousand and no/100 dollars (\$20,000) per Studio for each of the fifth~~ Specified Studio and all Specified Studios greater in number than the ~~fifth~~ second Specified Studio on the Development Schedule. All Initial Franchise Fees are fully earned by Franchisor and not refundable once paid.

5.2 Initial Franchise Fees for Additional Studio(s)

The Initial Franchise Fee for each Additional Studio shall be the reduced Initial Franchise Fee the Developer would pay pursuant to Section 5.1, in accord with the number of Specified Studios on the Development Schedule for which Developer has paid an Initial Franchise Fee, whether reduced or not. Without limitation, and solely by way of example: (a) if Developer's Development Schedule identifies five Specified Studios, and the Developer contracts for one Additional Studio, then the Initial Franchise Fee for the Additional Studio will be ~~twenty~~ twenty-five thousand and no/100 dollars (~~\$20,000~~ \$25,000); and (b) if Developer's Development Schedule identifies three Specified Studios, and the Developer contracts for three Additional Studios, then the Initial Franchise Fee for ~~the first~~ each Additional Studio (~~for a total of four Studios~~) will be twenty-five thousand and no/100 dollars (\$25,000), ~~and the Initial Franchise Fee for the second and third Additional Studios (for a total of six Studios) will be twenty thousand and no/100 dollars (\$20,000) per Additional Studio.~~ The Initial Franchise

Fees for each Additional Studio shall be paid by Developer to Franchisor upon the execution of the separate franchise agreement(s) for the Additional Studio(s).

6. EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6.1 Site and Location Approval

A. Developer shall obtain Franchisor's approval of a proposed site and location ("**Location**") within the Development Areas for each of its Studios in accordance with Franchisor's procedures ("**Site Approval**"). Upon identifying a proposed Location for construction of a Studio, Developer shall submit to Franchisor such information regarding the proposed Location as Franchisor shall require, together with the terms of any proposed Lease relating to the Location in accordance with Developer's obligations under each separate franchise agreement. Franchisor may seek such additional information as it deems necessary within fifteen business days of submission of the Site, and Developer shall respond promptly to such request for additional information, including without limitation, Franchisor's request for a business plan demonstrating Developer's financial capability as provided in Section 6.3 below. If Franchisor does not reject the Location in writing within fifteen business days, or within fifteen (15) business days after receipt of such additional information, whichever is later, the Location shall be deemed rejected. Each Location must be within the Development Area assigned to the Studio being developed.

B. Developer is solely responsible for selecting a Location and Franchisor has the right to accept or reject a Location in its reasonable business judgment. Franchisor's Site Approval is not a representation, warranty or a promise by Franchisor of any kind that a Studio at an approved location will achieve any certain level of sales volume or profitability. Similarly, Franchisor's approval of one or more locations and its refusal to approve other locations is not a representation or a promise that an approved location will have a higher sales volume or be more profitable than a location which Franchisor did not approve.

6.2 Execution of Franchise Agreements

A. Provided that Developer is then in full compliance with all of the terms and conditions of this Agreement and any other agreements with Franchisor and its affiliates, Franchisor agrees to offer to Developer a franchise to operate a Studio at an approved Location by delivering to Developer promptly after approval of a Location, a Franchise Disclosure Document ("**FDD**") and two execution copies of Franchisor's then-current form franchise agreement pertaining to the approved Location (the "**New Franchise Agreement**"). Immediately upon receipt of the FDD, Developer shall return to Franchisor a signed acknowledgment of receipt of the FDD. After the passage of any disclosure period required by applicable law, Developer shall execute and deliver to Franchisor two copies of the New Franchise Agreement and the Initial Franchise Fee required pursuant to the New Franchise Agreement or this Agreement, less a credit, if any, applicable pursuant to Section 5.1. Franchisor shall execute and return to Developer one copy of the New Franchise Agreement after receipt of the Initial Franchise Fee and provided that Developer is then in full compliance with all the terms and conditions of this Agreement and any other agreements with Franchisor and its affiliates. Developer shall procure the Location by purchase or Lease pursuant

to the terms of the New Franchise Agreement, and return one copy of the executed Lease or, if purchased, the deed evidencing Developer's right to occupy the approved Location. Developer shall then promptly commence construction and operation of the Studio pursuant to the terms of the New Franchise Agreement.

B. Notwithstanding the foregoing, if Franchisor is not legally able to deliver an FDD to Developer by reason of any lapse or expiration of its franchise registration, or because Franchisor is in the process of amending any such registration, or for any other reason beyond Franchisor's reasonable control, Franchisor may delay approval of the location for Developer's proposed Studio until such time as Franchisor is legally able to deliver an FDD, and such delay shall not constitute a default under this Agreement.

C. The form of the New Franchise Agreement for Developer's Studios developed pursuant to this Agreement shall be Franchisor's then-current standard form in use at the time Developer is required to sign a franchise agreement for each Studio to be developed.

6.3 Developer's Financial Responsibility and Business Plan

A. Developer assumes all cost, liability and expense for locating, obtaining and developing sites for Studios and constructing and equipping Studios in accordance with Franchisor's standards at approved locations. Developer shall not make any binding commitments to purchase or Lease a location until the location has been approved in writing by Franchisor.

B. Upon Franchisor's request, Developer shall submit to Franchisor a business plan outlining the actions that Developer will take to ensure the development and management of a proposed Studio in accordance with Franchisor's standards and the New Franchise Agreement. In addition to a business plan, Developer shall submit to Franchisor, upon Franchisor's request, financial statements and other financial information sufficient to demonstrate to Franchisor in Franchisor's sole and absolute judgment, that Developer has adequate financial capabilities to properly develop and operate the proposed Studio and fulfill its obligations under the New Franchise Agreement. Developer agrees to revise the business plan, and submit current financial statements as requested by Franchisor. Developer further agrees to implement any changes to Developer's business plan as approved or required by Franchisor. Notwithstanding anything herein to the contrary, Developer acknowledges and agrees that Franchisor may refuse to grant to Developer a franchise for a proposed Studio if Developer does not meet Franchisor's then current standards and qualifications for the grant of a new franchise, including without limitation, Developer's failure to demonstrate to Franchisor, in its sole and absolute judgment, that Developer is sufficiently capitalized and has sufficient financial resources to open and operate a Studio in accordance with the New Franchise Agreement. Developer's approval or non-approval of Developer's business plan to develop and open a Studio shall not constitute an express or implied assurance, representation or warranty as to the sales volume, profitability, cost and expenses of development of a Studio, the success or profitability of Developer's business plan, or the sufficiency of Developer's financial resources. Developer agrees and acknowledges that there are many factors which may impact the implementation of Developer's business plan, and which may require Developer to change or adapt its business plan from time to time and Franchisor's approval or

disapproval of Developer's business plan or financial capabilities indicates only Franchisor's minimum criteria for the development of a Studio. Further Franchisor's approval or non-approval of a business plan is not predictive of the success, sufficiency or profitability of a business plan.

6.4 Condition Precedent to Franchisor's Obligations

It shall be a condition precedent to Franchisor's obligations pursuant to Sections 6.1 and 6.2, that Developer shall have performed all of its obligations under and pursuant to this Agreement and all other agreements between Developer and Franchisor.

7. DEVELOPER OWNERSHIP

7.1 Representations

If Developer is a corporation, a limited liability company, a partnership or any other type of legal entity formed in compliance with applicable law, Developer makes the following representations and warranties: (1) it is duly organized and validly existing under the laws of the state of its formation; (2) it is qualified to do business in the state in which each Development Area is located; (3) execution of this Agreement and the development and operation of Studios are permitted by its governing documents; and (4) Developer's Articles of Incorporation, Articles of Organization, written partnership agreement or other organizational or governing documents shall at all times provide that the activities of Developer are limited exclusively to the development and operation of franchised L.A. BIKINI Studios.

7.2 Governing Documents, Records and Requirements

Developer shall comply with the corporate and partnership franchisee requirements set forth in the New Franchise Agreement(s).

7.3 Ownership Interests

If Developer is a corporation, a limited liability company, a partnership or any other type of legal entity formed in compliance with applicable law, then Developer shall inform Franchisor in writing as to the identity of all of the persons who have an ownership interest in the Developer entity in the attached Ownership Addendum attached as Exhibit C and ensure that the information contained therein is true, accurate and complete at all times. Developer shall not vary from the ownership interests and/or corporate structure without the prior written approval of Franchisor.

7.4 Guaranty

If Developer is a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law, then all owners of Developer shall execute an agreement in substantially the same form as attached hereto as Exhibit D with Franchisor under which the owners of Developer agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and

future owner of Developer must agree in writing to personally guarantee the performance of Developer's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Agreement and any other agreements between Developer and Franchisor.

8. ASSIGNMENT; RIGHT OF FIRST REFUSAL

8.1 Assignment by Franchisor

Franchisor shall have the unlimited right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity at any time.

8.2 Assignment by Developer

A. This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Developer or, in the case of a corporate or partnership Developer, the principal officers or partners thereof who will actively and substantially participate in the development, ownership and operation of the L.A. BIKINI Studios. Therefore, except as provided below, neither Developer, nor any partner, if Developer is a partnership, nor any shareholder, if Developer is a corporation, shall, by operation of law or otherwise, sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber to any person, persons, partnership, association, corporation or other entity, any interest in this Agreement, or any interest under this Agreement, or any interest in any proprietorship, partnership or corporation which owns any interest in this Agreement, nor offer, permit or suffer the same, without Franchisor's prior written consent and subject to Franchisor's right of first refusal as provided for in Section 8.3 of this Agreement. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, in violation of the terms of this Article will be null, void and of no effect, and will constitute a material and incurable breach of this Agreement. For purposes of this Agreement, Developer may permit the transfer or redemption of: (x) 25% or less of the capital stock or voting power of any corporate franchisee, as originally constituted on the date of execution of this Agreement, to any person or entity who is not (i) already a shareholder of Developer (a "Shareholder"), (ii) the spouse of any Shareholder, (iii) a trust controlled by a Shareholder whose trustee is a Shareholder or (iv) a corporation, partnership or proprietorship controlled and composed solely of Shareholders; or (y) 25% or less of a partnership or proprietorship interest, as originally constituted on the date of execution of this Agreement, in a franchisee that does business as a limited liability company, partnership, or proprietorship, to any person or entity who is not (i) already a member, partner, or proprietor of Developer (a "Partner or Proprietor"), (ii) the spouse of any Partner or Proprietor, (iii) a trust controlled by a Partner or Proprietor whose trustee is Partner or Proprietor, or, (iv) a corporation or partnership controlled and composed solely of Partners or Proprietors. Developer agrees to immediately report to Franchisor all transfers of ownership in a corporate, partnership or proprietorship franchisee, even if 25% or less, in accordance with the procedures set forth in Franchisor's Manual or otherwise. Developer may also transfer its interest in this Agreement to a corporation formed by Developer solely for the convenience of ownership, provided that Developer shall obtain Franchisor's prior written consent, as detailed in Section 8.2(B), below.

B. Should Franchisor not elect to exercise its said right of first refusal, or should such right of first refusal be inapplicable, as herein provided, Franchisor's consent to such assignment, but not to the partition, sharing or dividing of rights under this Agreement, shall not be unreasonably withheld; provided, however, that Franchisor may impose any reasonable condition(s) to the granting of its consent. No direct or indirect transfer of rights to develop less than all remaining undeveloped Studios shall be permitted, it being understood and agreed that Developer shall have no right to transfer partial development rights. Without limiting the generality of the foregoing, Franchisor's consent to the assignment shall be subject to the following conditions:

- (i) that the assignee (or the principal officers, shareholders, directors or general partners of the assignee in the case of a corporate or partnership assignee), in the business judgment of Franchisor, must be of good moral character and reputation, have a good credit rating, must have the business experience, organizational and financial resources to complete the Development Schedule and timely open all Specified Studios, and to maintain, operate and promote all existing and new Studios in accordance with the requirements of this Agreement and the franchise agreement and ancillary agreements for each Studio. Developer and the assignee shall provide Franchisor with such information as Franchisor may require to make such determination concerning each proposed assignee;
- (ii) that Developer must have opened at least one Specified Studio covered by this Agreement;
- (iii) that the assignee expressly assumes in writing for the benefit of Franchisor all rights and obligations of Developer under this Agreement and all franchise agreements executed pursuant hereto and approved to be transferred;
- (iv) that the assignee shall have completed the Franchisor's training program to Franchisor's satisfaction, exercised in good faith; that as of the date of any such assignment, Developer shall have fully complied with all of its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor;
- (v) that the assignee, if then a franchisee of Franchisor, is not then in default of any of its obligations to Franchisor;
- (vi) that the price and other terms of sale of the interest to be conveyed shall not, in the good faith judgment of Franchisor, jeopardize the ability of the assignee to complete the Development Schedule on time, properly maintain, operate and promote all Studios and meet the assignee's financial obligations to Franchisor, third party

suppliers/vendors and creditors. This provision shall not create any liability on the part of Franchisor to the assignee in the event that Franchisor approves the transfer and the assignee experiences financial difficulties. Developer and the assignee agree not to create, impose or assert any security interest, lien or claim, at the time of the transfer or thereafter, in this Agreement;

- (vii) that Developer furnishes to Franchisor a copy of the executed contract of assignment with the assignee assuming all of Developer's obligations under this Agreement;
- (viii) that the assignee executes a new Multi-Unit Development Agreement and all ancillary agreements in the form and on the terms and conditions Franchisor then offers to prospective area developers who are similarly situated (except that the assignee will not be obligated to pay another Area Development Fee, but will be required to pay the Initial Franchise Fee balance for each Specified Studio that the assignee develops and the Initial Franchise Fee for any Additional Studios). The term of the new Multi-Unit Development Agreement will expire on the date of expiration of this Agreement. The execution of the new Multi-Unit Development Agreement will terminate this Agreement, except for the guarantees of Developer and the post-termination and post-expiration provisions under this Agreement;
- (ix) that Developer shall pay to Franchisor, prior to any such assignment, a transfer fee equal to Five Thousand Dollars (\$5,000) which is reasonably required to cover Franchisor's expenses relating to said assignment. The foregoing transfer fee is in addition to the transfer fee(s) required to be paid under the franchise agreements for any Studio approved to be transferred;
- (x) that Developer remains liable for all the obligations to Franchisor arising out of or related to this Agreement before the effective date of the transfer or assignment, and executes all instruments reasonably requested by Franchisor to evidence this liability; and
- (xi) that the assignee and Developer shall execute a general release of all claims against Franchisor, its affiliates, and their respective officers, directors, owners, representatives, agents and employees (in their corporate and individual capacities) in a form acceptable to Franchisor.

C. In the event of the death of Developer, or any partner or shareholder thereof at any time during the term of this Agreement, the legal representative of Developer, partner or shareholder, together with all surviving partners or shareholders, if any, jointly, shall within three (3) months of such event apply, in writing, for the right to transfer this Agreement, or the interest of the deceased partner or shareholder in this Agreement, to such person or persons as the legal representative may specify. Such transfer shall be approved by Franchisor upon

fulfillment of all of the conditions set forth herein, except that no transfer fee shall be required if the assignee is a beneficiary or heir of Developer. If the legal representative and all surviving partners or shareholders, if any, do not comply with the aforesaid provisions or do not propose an assignee, all rights granted to Developer under this Agreement shall terminate forthwith and automatically revert to Franchisor.

D. Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written permission of Franchisor, which permission may be withheld for any reason whatsoever in Franchisor's sole and absolute subjective judgment.

8.3 Right of First Refusal

Except as expressly provided in Article 8 of this Agreement to the contrary, any assignment of this Agreement, or any interest herein, shall be subject to Franchisor's right of first refusal with respect thereto. Franchisor's said right of first refusal shall be exercised in the following manner:

1. Developer shall deliver to Franchisor a true and complete copy of the offer (the "**notice**") and furnish to Franchisor any additional information concerning the proposed transaction that Franchisor reasonably requests.
2. Within twenty one days after Franchisor's receipt of the notice (or, if Franchisor requests additional information, within twenty one days after receipt of the additional information), Franchisor may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at its option, accept the assignment to itself or to its nominee, on the terms and conditions specified in the notice.
3. Franchisor's credit will be deemed equal to the credit of any proposed purchaser. Franchisor may substitute cash for any other form of payment proposed in the offer.
4. If Franchisor exercises its right of first refusal, Franchisor will be given at least sixty (60) days after notifying Developer of its election to exercise its right of first refusal to prepare for closing.
5. If Franchisor elects not to exercise its right of first refusal and consents to the proposed assignment or redemption, then Developer will, subject to the provisions of this Article, be free to assign this Agreement to its proposed assignee on the terms and conditions specified in the notice. If, however, the terms are changed, the changed terms will be deemed a new proposal, and Franchisor will have a right of first refusal with respect to this new proposal.
6. Franchisor's election not to exercise its right of first refusal with regard to any offer will not affect its right of first refusal with regard to any later offer. If Franchisor does not exercise its right of first refusal, this will not constitute

approval of the proposed transferee, assignee, redemption or the transaction itself. Developer and any proposed assignee must comply with all the criteria and procedures for assignment of this Agreement as well as the franchise agreement(s) executed pursuant hereto and approved to be transferred.

8.4 Individual Franchise Agreements

Developer shall not execute any New Franchise Agreement, or construct or equip any Studio, with a view to transfer or assign such New Franchise Agreement or Studio.

9. CONFIDENTIALITY AND NON-COMPETITION

9.1 Confidential Information

Franchisor possesses and will further develop and acquire certain Confidential Information (as defined below). Franchisor may disclose to Developer, and Developer may acquire such parts of the Confidential Information in the development of Studios under this Agreement. Developer acknowledges and agrees that neither Developer nor any other person or entity will acquire any interest in or rights to the Confidential Information other than those granted in this Agreement and any franchise agreements with Franchisor or its affiliates, and that the use, disclosure or duplication of the Confidential Information for any other purpose, including, without limitation, the use of the Confidential Information in any other business would constitute an unfair method of competition with Franchisor, its affiliates, Franchisor's franchisees and the L.A. BIKINI System. Developer agrees to disclose the Confidential Information only to its owners and to its employees and only to the extent reasonably necessary for the development of Studios under this Agreement. "Confidential Information" means information, knowledge, trade secrets, or know-how concerning the systems of operation, programs, products, services, customers or practices of any franchisee, Developer, Franchisor, or the L.A. Bikini System. Confidential Information includes (without limitation) all information, knowledge, know-how, techniques and information which Franchisor, its affiliates, or their officers, designate as confidential. Confidential Information will not, however, include information which Developer can demonstrate came to its attention before Franchisor disclosed it to it or which, at or after the time of disclosure, has become public through publication or communication by Franchisor or by parties not under any obligation to Franchisor, but not through any act of Developer.

9.2 In-Term Covenant Not to Compete

Developer agrees and acknowledges that if Developer were permitted to hold interests in a business which offers hair removal services (including, but not limited to by use of techniques of sugaring, waxing, or threading) or which offers or sells any product, service or component which now or in the future is part of the L.A. Bikini System, or any similar product or service ("**Competitive Business**"), Franchisor would be unable to protect, among the legitimate business interests, its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the franchisees and developers in its franchise business. Accordingly, Developer, its

owners, officers, directors, shareholders, general partner or limited partner (collectively “**Restricted Parties**” and individually, a “**Restricted Party**”) shall not directly or indirectly during the Development Term:

1. Solicit or otherwise attempt to induce (by combining or conspiring with, or attempting to do so), or influence in any other manner any of Franchisor’s franchisees or developers to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor;
2. As owner or director, employee, agent, lender, lessor, broker, consultant, franchisor, franchisee, or in any other similar capacity whatsoever connected in any manner with the ownership, management, operation or control, or conduct of a Competitive Business, anywhere in the United States or in any other market area in which a L.A. BIKINI Studio is: (i) operating; (ii) under construction; or (iii) demonstrably expected to be under development during the Development Term; and
3. In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the L.A. BIKINI System, Franchisor’s business or the business of Franchisor’s affiliates, developers or franchisees.

9.3 Post-Term Covenant Not to Compete

During the two year period after the expiration or sooner termination of this Agreement, neither Developer nor any of the other Restricted Parties may directly or indirectly:

1. Solicit or otherwise attempt to induce (by combining or conspiring with, or attempting to do so), or influence in any other manner any of Franchisor’s franchisees or developers to terminate or modify his, her or its business relationship with Franchisor or to compete with Franchisor;
2. As owner, officer, director, employee, agent, lender, lessor, broker, consultant, franchisor, franchisee, or in any other similar capacity whatsoever be connected in any manner with the ownership, management, operation, control, or conduct of a Competitive Business within any Development Area granted for a particular Studio or within fifty (50) miles of Developer’s Studios or any other L.A. BIKINI Studio that is: (i) operating; (ii) under construction or development, or (iii) under development within twelve (12) months after such expiration or termination; and
3. In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the L.A. BIKINI System, Franchisor’s business or the business of Franchisor’s affiliates, developers, or franchisees.

9.4 Developer’s Acknowledgments Concerning Covenants

Developer agrees and acknowledges that this Article 9 limits Developer's right to compete only to the extent necessary to protect Franchisor from unfair competition. Developer and each of the other Restricted Parties acknowledges and confirms that the scope of activities prohibited in this Article 9, as well as the length of the term and geographical restrictions contained therein, are necessary to protect Franchisor's legitimate business interests and are fair and reasonable and not the result of overreaching, duress, or coercion of any kind. Developer and the other Restricted Parties each agree that the restrictions set forth in Article 9 will not impair Developer or any of the Restricted Parties' ability to obtain employment commensurate with its abilities and on terms fully acceptable to it or otherwise to obtain income required for the comfortable support of itself and its family, and the satisfaction of the needs of its creditors.

9.5 Ability of a Court to Reform Covenants

If all or any portion of the covenants not to compete set forth in this Article are held unreasonable, void, vague, or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and shall not by necessity invalidate the entire covenants. Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement.

9.6 Enforcement of Covenants Not To Compete

Developer acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Developer consents to the entry of an injunction prohibiting any conduct by Developer in violation of the terms of the covenants not to compete set forth in this Agreement. Developer expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Developer's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Developer expressly agrees that any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Developer agrees to pay all costs and expenses, including reasonable attorneys' and experts' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

10. TERMINATION

10.1 Termination Pursuant to a Material Breach of this Agreement

This Agreement may be terminated by Franchisor for cause without notice or opportunity to cure, except for such notice and cure period as may be required by law. In addition to any of the grounds for termination that may be stated elsewhere in this Agreement, Franchisor may terminate this Agreement, and the rights granted by this Agreement, upon

written notice to Developer without an opportunity to cure upon the occurrence of any of the following events:

1. Developer omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement;
2. Any attempt by Developer to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement;
3. Developer is insolvent or is unable to pay its creditors (including Franchisor or its affiliates); files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Developer a petition in bankruptcy, an arrangement for the benefit of credits or petition for reorganization, which is not dismissed within sixty (60) days of the filing; Developer makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Developer and not dismissed within sixty (60) days of the appointment;
4. Franchisor and Developer agree in writing to terminate this Agreement;
5. Failure of Developer to meet the Minimum Development Obligations within the time periods specified in the Development Schedule set forth herein;
6. Failure of Developer, at any time during the Development Term, to have open and continuously operating the number of Studios required by the Development Schedule; Failure of Developer to obtain Franchisor's written approval of a Location by the applicable date required by the Development Schedule;
7. Failure of Developer to open any of the Studios by the applicable date required by the Development Schedule;
8. Developer begins construction of a Studio without obtaining Franchisor's prior written approval of the Location;
9. Execution is levied against Developer's business or property(ies); suit to foreclose any lien or mortgage against the premises or equipment of any of Developer's Studios is instituted against Developer and is not dismissed within sixty (60) days; or the real or personal property of the Studio shall be sold after levy thereupon by any sheriff, marshall or constable;
10. Developer (or, if Developer is a corporation, partnership, proprietorship or other entity, any principal, owner, member, officer or director of Developer) is convicted of, or pleads no contest to, a felony charge, a crime involving moral turpitude; or any crime or offense that is reasonably likely, in the sole

subjective opinion of Franchisor, to adversely affect Franchisor, its affiliates and the L.A. BIKINI System;

11. Developer (or, if Developer is a corporation, partnership, proprietorship or other entity, any principal, owner, member, officer or director of Developer) does any act that Franchisor believes in its reasonable business judgment has a negative impact on the Proprietary Marks or the L.A. BIKINI System;
12. Developer interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, customers, employees, advertising agencies or any third parties;
13. Developer interferes or attempts to interfere with Franchisor's ability or right to franchise or license others to use and employ Franchisor's Proprietary Marks and System or Developer makes any use of the Proprietary Marks not authorized under this Agreement or the franchise agreements;
14. Developer remains in default beyond the applicable cure period: (a) under any other agreement with Franchisor or its affiliates; (b) under any real estate Lease, equipment Lease or financing instrument relating to one of Developer's Studios; or (c) with any vendor or supplier to one of Developer's Studios;
15. Any of the individual franchise agreements or any other agreement between Developer and Franchisor is terminated; or
16. Developer and the Restricted Parties breach their obligations under Article 9 of this Agreement, or any other provisions related to Confidential Information and noncompetition by Developer.

10.2 Termination by Franchisor - Fifteen Days to Cure

A. Except as provided above and in Section 10.1, Developer will have fifteen calendar days after its receipt from Franchisor of a written Notice of Default to remedy any default under this Agreement, not specified in the preceding section and to provide evidence that it has done so to Franchisor. If Developer has not cured any default within that time (or, if appropriate, Developer has not initiated action to cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the fifteen day period, or any longer period required by applicable law.

B. All Notices of Default and Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Developer upon delivery or first attempted delivery of the notice to Developer's address set forth in Section 12.11 herein below.

10.3 Cross Default

Any default or breach by Developer of any other agreement between Franchisor or its affiliates and Developer will be deemed a default under this Agreement, and any default or breach of this Agreement by Developer will be deemed a default or breach under any and all other agreements between Franchisor and Developer. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Developer in the same manner provided for in this Agreement for termination of this Agreement. Developer will be given the same opportunity to cure defaults under any other agreement between Franchisor or its affiliates and Developer as Developer has under this Agreement.

10.4 Notice Required By Law

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

10.5 Effect of Termination

Upon the expiration of the Development Term, or upon the prior termination of this Agreement, Developer shall have no further right to construct, equip, own, open or operate additional L.A. BIKINI Studios which are not, at the time of such termination or expiration, the subject of a then existing franchise agreement between Developer and Franchisor which is in full force and effect, and Franchisor may itself construct, equip, develop, open, own or operate, or license others to construct, equip, develop, open, own or operate L.A. BIKINI Studios in the Development Areas. Developer shall immediately pay to Franchisor upon termination or expiration of this Agreement any amounts owed by Developer to Franchisor or its affiliates which are then unpaid plus any accrued interest.

11. ARBITRATION

11.1 Disputes Subject to Arbitration. Except as expressly provided to the contrary in Section 11.6 of this Agreement, all disputes and controversies between Developer and Franchisor, including but not limited to allegations of fraud, misrepresentation and violation of any state or federal laws or regulations, arising under, as a result of, relating to, or in connection with this Agreement or the Studio are subject to and will be resolved exclusively by arbitration conducted in accordance with the Commercial Rules and Regulations of the American Arbitration Association.

11.2 Notice of Dispute. The party alleging the dispute must provide the other party with written notice setting forth the alleged dispute in detail. The party who receives written notice alleging the dispute will have thirty (30) days after receipt of the written notice to resolve the dispute specified in the written notice. If the written notice alleges that Developer is delinquent in the

payment of any fees or other payments payable to Franchisor, Developer will have ten (10) days to make full payment (including interest and administrative fees as provided for herein) to Franchisor.

- 11.3 Demand for Arbitration.** If the dispute alleged by either party has not been corrected, settled or compromised within the time period provided for in this Agreement, then either party may demand arbitration by giving the other party written notice. Within ten (10) days after a written demand for arbitration has been delivered by the party demanding arbitration, either party will have the right to request the office of the American Arbitration Association to initiate the procedures necessary to appoint an arbitrator. If the alleged dispute includes a claim for damages in excess of two hundred thousand dollars (\$200,000), then either party will have the right to demand that the arbitration hearings be conducted by three (3) arbitrators. The arbitrator(s) will be appointed as provided herein within sixty (60) days after a written demand for arbitration has been made in accordance with the Commercial Rules and Regulations of the American Arbitration Association.
- 11.4 Venue, Jurisdiction, and Applicability of Federal Law.** All arbitration hearings will take place exclusively in Birmingham, Alabama. Franchisor and Developer, its officers, directors and owners do hereby agree and submit to personal jurisdiction in the State of Alabama in connection with any arbitration hearings hereunder and any suits brought to enforce the decision of the arbitrator(s), and do hereby waive any rights to contest venue and jurisdiction in the State of Alabama and any claims that venue and jurisdiction are invalid. Franchisor and Developer agree that this Agreement evidences a transaction involving interstate commerce and that the enforcement of this arbitration provision and the confirmation of any award issued to either party by reason of an arbitration conducted pursuant to this arbitration provision is governed by the Federal Arbitration Act, 9 U.S.C. § 1, et seq.
- 11.5 Powers of Arbitrator(s).** The authority of the arbitrator(s) will be limited to making a finding, judgment, decision and award relating to the interpretation of or adherence to the written provisions of this Agreement. Both parties will have the absolute right to cross-examine any person who has testified against them or in favor of the other party. The arbitrator(s) will have no authority to add to, delete or modify in any manner the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the arbitrator(s) will be limited to the dispute set forth in the written demand for arbitration, and the arbitrator(s) will have no authority to decide any other issues. The arbitrator(s) will not have the right or authority to award punitive or exemplary damages to either Franchisor or Developer or their officers, directors, shareholders or owners, and Franchisor, Developer and their officers, directors, shareholders and owners expressly waive their rights to plead or seek punitive or exemplary damages. All findings, judgments, decisions and awards by the arbitrator(s) will be in writing, will be made within thirty (30) days after the arbitration hearings have been completed, and will be final and binding on Franchisor and Developer. The written decision of the arbitrator(s) will be deemed to be an order, judgment and decree and may be entered as such in any court of competent jurisdiction by either party thirty (30) days thereafter. If, during the course of arbitration, either party fails to appear at a meeting or hearing duly scheduled in accordance with the Commercial Rules and Regulations of the American Arbitration Association, the arbitrator(s) will have the absolute right to enter a default judgment against the party failing to appear and may grant a remedy and relief in favor of the moving party.
- 11.6 Disputes not Subject to Arbitration.** The following disputes between Franchisor and Developer will not be subject to arbitration: (a) Developer's misuse of the Marks or the System; (b) the obligations of Developer upon termination or expiration of this Agreement; (c)

the sale, transfer or assignment of this Agreement, the Studio or any interests therein; and (d) Developer's violation of the provisions of this Agreement relating to confidentiality or covenants not to compete.

11.7 Confidentiality. All evidence, testimony, records documents, findings, decision, judgments and awards pertaining to any arbitration hearing between Franchisor and Developer will be confidential in all respects. Franchisor and Developer will not disclose the decision or award of the arbitrator(s) and will not disclose any evidence, testimony, records, documents, findings, orders or other matters from the arbitration hearing to any person or entity except as required by law. For avoidance of doubt, the parties agree that the foregoing restrictions shall not apply to information required to be included within the franchise disclosure documents as mandated by federal or state law.

11.8 Performance During Arbitration of Disputes. Franchisor and Developer will comply with all of the terms and conditions of this Agreement and will fully perform their respective obligations under this Agreement during the entire time of this arbitration process.

12. GENERAL CONDITIONS AND PROVISIONS

12.1 Relationship of Developer and Franchisor

A. This Agreement does not create a fiduciary or other special relationship between the parties. No agency, employment, joint venture, or partnership is created or implied by the terms of this Agreement. It is expressly agreed that Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Developer agrees that he will not hold himself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Developer shall be the employees of Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Developer shall not issue any press releases without the prior written approval of Franchisor.

B. The sole relationship between Developer and Franchisor is a commercial, arms' length business relationship and there are no third-party beneficiaries to this Agreement. Developer's business is, and shall be kept, totally separate and apart from any that may be operated by Franchisor. In all public records, in relationships with other persons, and on letterheads and business forms, Developer shall indicate its independent ownership of Developer's Studios and that Developer is solely an independent contractor.

12.2 Variations

Franchisor has the right, in its sole discretion, to waive, or permit variations from the standards of the L.A. BIKINI System or any applicable agreement to any developer, franchisee,

prospective developer or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. Franchisor has the right, in its sole discretion, to deny any such request Franchisor believes would not be in the best interest of the L.A. BIKINI System.

12.3 Waiver and Delay

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement.

12.4 Survival

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement.

12.5 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

12.6 Third Parties

Except as provided in this Agreement to the contrary with respect to any affiliates of Franchisor, nothing in this Agreement, whether express or implied, confers any rights or remedies under or by reason of this Agreement on any persons (including other L.A. BIKINI franchisees) other than the parties and their respective personal or legal representatives, heirs, successors, and permitted assigns. Further, except as provided in this Agreement to the contrary with respect to any designee of Franchisor, nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement. Nor does any provision give any third persons any right of subrogation or action over or against any party to this Agreement.

12.7 Entire Agreement

This Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

12.8 Construction and Interpretation; Further Acts

The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Developer. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement

12.9 Severability

If there is any conflict between any provision of this Agreement and any statute, law, ordinance or regulation the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect.

12.10 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

12.11 Attorneys' Fees

In any dispute arising from or relating to this Agreement, the prevailing party will be entitled to recover the other party its reasonable attorneys' fees, court costs and all other expenses of litigation or arbitration.

12.12 Governing Law

Except to the extent governed by the Federal Arbitration Act (9 U.S.C. § 1, et seq.), the United States Lanham Trademark Act (15 U.S.C. § 1051, et seq.), or other United States Federal Law, this Agreement, all relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Alabama without regard to principles of conflicts of law.

12.13 Venue

Any permissible litigation arising out of or related to this Agreement, any breach of this Agreement, the relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in and for Jefferson County, Alabama. Franchisor and Developer do hereby agree and submit to personal jurisdiction of such courts in connection with any permissible litigation hereunder and any suits brought to enforce the decision of the arbitrator(s), and do hereby waive any rights to contest venue and jurisdiction in the such courts and any

claims that venue and jurisdiction are invalid or inconvenient.

12.14 Waiver of Jury Trial

With respect to any dispute that may be resolved by litigation pursuant to this Agreement, all parties hereby waive any and all rights to a trial by jury in connection with any permissible litigation between the parties arising from or relating to this Agreement, the entry into this Agreement, its performance, breach, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for any claims arising from or relating to this Agreement, whether now existing or arising in the Future.

12.15 Limitation of Damages

Developer and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable attorneys' fees. Developer waives and disclaims any right to consequential, incidental, indirect, special, and lost profits damages in any action or claim against Franchisor concerning this Agreement or any other agreement with Franchisor. In any claim or action brought by Developer against Franchisor concerning this Agreement, Developer's contract damages shall not exceed and shall be limited to an amount equal to Developer's Initial Franchise Fee and Continuing Royalty Fee payments.

12.16 Limitation on Actions

Developer and its owners agree that for Franchisor's system to function properly, Franchisor must not be burdened with the cost of litigation of system wide disputes. Accordingly, any dispute between Franchisor and Developer shall be considered unique as to its facts and shall not be brought as a class action and Developer waives any rights to proceed against Franchisor by way of class action. In any legal action between the Franchisor and Developer the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving Franchisor and any other franchisee and each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

12.17 Notices

Any notice required or permitted to be given under this Agreement shall be in writing; shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by overnight mail or by facsimile transmission; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor shall be addressed to Franchisor at:

LAB Holding Company, LLC
4441 Creekside Avenue
Suite 129
Hoover, Alabama 35244

Notice to Developer shall be addressed to Developer at:

Either party to this Agreement may, in writing, on ten days notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

12.18 Multi-State Addenda

Attached as Exhibit I to this Agreement (the “Multi-State Addenda”) and incorporated herein by this reference, as applicable, are additional terms and conditions applicable to franchisees and their principals based in certain states within the United States of America. Each provision of the Multi-State Addenda shall be effective only to the extent that the jurisdictional requirements of the applicable state law are applicable to the provisions of this Agreement are met independent of the Multi-State Addenda. To the extent the Multi-State Addenda shall be deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments thereto [other than the applicable Multi-State Addenda]), the terms of the Multi-State Addenda shall control.

13. ACKNOWLEDGMENTS

13.1 Receipt of this Agreement and the Franchise Disclosure Document

Developer represents and acknowledges that it has received, read and understands this Agreement and Franchisor’s Franchise Disclosure Document; and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Developer represents and acknowledges that it has received an exact copy of this Agreement and its exhibits at least seven (7) calendar days prior to the date on which this Agreement was executed.

13.2 Consultation by Franchise

Developer represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Developer represents that it has either consulted with such advisors or has deliberately declined to do so.

13.3 Risk

Developer represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a L.A. Bikini Studio business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Developer. Franchisor makes no representations or warranties, express

or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

13.4 No Guarantee of Success

Developer represents and acknowledges that it has not received nor relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the L.A. Bikini Studio business. Developer represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

13.5 No Violation of Other Agreements

Developer represents that its execution of this Agreement will not violate any other agreement or commitment to which Developer or any holder of a legal or beneficial interest in Developer is a party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, to be effective as of the Effective Date.

FRANCHISOR:

DEVELOPER:

LAB HOLDING COMPANY, LLC

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

EXHIBIT A TO MULTI-UNIT DEVELOPMENT AGREEMENT

The Development Areas consist of the following geographic areas:

EXHIBIT B TO MULTI-UNIT DEVELOPMENT AGREEMENT

MINIMUM DEVELOPMENT OBLIGATIONS

Cumulative Number of Studios to be in Operation	Site Approval Date	Required Opening Date

EXHIBIT C TO MULTI-UNIT DEVELOPMENT AGREEMENT

Ownership Addendum to Development Agreement

1. If Developer is a corporation, limited liability company or partnership, set forth below are the names and addresses of each shareholder, member or partner in Developer.

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

2. Developer shall notify Franchisor in writing within ten (10) days of any change in the information set forth above.

3. Developer promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer.

4. Developer shall cause all of its current and future shareholders, members and partners to execute Franchisor's standard form of Guaranty

This Addendum is effective as of this ____ day of _____, 20____

Developer

By: _____

Name: _____

Its: _____

EXHIBIT D TO MULTI-UNIT DEVELOPMENT AGREEMENT

GUARANTY

In consideration of the execution by LAB Holding Company, LLC (“Franchisor”) of the L.A. Bikini Multi-Unit Development Agreement dated the ____ day of _____, _____, between Franchisor and _____ (“Developer”) (the “Development Agreement”), and for other good and valuable consideration, including Franchisor’s execution of or consent to the transfer of the Franchise Agreement, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Developer and Franchisor.

If more than one (1) person has executed this Guaranty, the term “the undersigned”, as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually, and jointly and severally, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Developer and Franchisor, and agree that this Guaranty shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Developer and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder (a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Developer, and the undersigned do guarantee and promise to perform all the obligations of Developer under the Agreement as so amended, compromised, released or altered, (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added, (c) any right or remedy under the Agreement, this Guaranty or any other instrument or agreement between Franchisor and Developer may be exercised, not exercised, impaired, modified, limited, destroyed or suspended, and, (d) Franchisor or any other person may deal in any manner with Developer, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Developer be in breach or default under the Franchise Agreement or any other agreement(s) by and between Developer and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Developer and without proceeding against or naming in such suit any other Developer, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Developer or any of the undersigned shall be deemed notice to or demand upon Developer and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Developer, or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Developer, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors, or assigns, with respect to the Developer Agreement or any other agreement(s) by and between Developer and Franchisor, shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty shall inure to the benefit of the Franchisor, its successors, and assigns. The Guaranty may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

Should any one (1) or more provisions of this Guaranty be determined to be illegal or unenforceable, and all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty effective as of the date of the Multi-Unit Development Agreement.

Dated _____ Name _____

Dated _____ Name _____

Dated _____ Name _____

EXHIBIT E TO MULTI-UNIT DEVELOPMENT AGREEMENT

MULTI-STATE ADDENDA

FOR THE STATE OF CALIFORNIA

In recognition of the requirements of California Corporations Code sections 31201 and 31512, the Multi-Unit Development Agreement for LAB Holding Company, LLC is amended as follows:

Sections 13.1-13.4 of the Multi-Unit Development Agreement are deleted in their entirety.

FOR CALIFORNIA DEVELOPERS ONLY (PLEASE SEE SECTION 12.18 OF THE MULTI-UNIT DEVELOPMENT AGREEMENT):

ACKNOWLEDGED AND AGREED:

FRANCHISOR:
LAB HOLDING COMPANY, LLC
By: _____
Name: _____
Title: _____

DEVELOPER:

(type/print name)
By: _____
Name: _____
Title: _____

FOR THE STATE OF ILLINOIS

Illinois law governs the Agreements.

Payment of Initial Franchise Fees/Development Fees will be deferred until Franchisor has met its initial obligations, 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.

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.

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Multi-Unit Development Agreement for LAB Holding Company, LLC is amended as follows:

Section 8.2(B) is amended to add:

No general release shall be required as a condition of renewal or transfer or as a condition to receiving a refund of a portion of any Franchise Fee following a termination of the Franchise or Development Agreement that is intended to require Developer to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.

Sections 4.2 and 10 are amended to add:

The conditions under which the Multi-Unit Development Agreement can be terminated and Developer's rights upon termination or non-renewal, as well as the application by which Developer must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

Sections 11.4, 12.12, and 12.13 are amended to add:

The Multi-Unit Development Agreement shall be governed by Illinois Law. Jurisdiction and venue for court litigations shall be in Illinois. Any provision in the Multi-Unit Development Agreement that designates jurisdiction or venue in a forum outside the State is void; provided, that a Multi-Unit Development Agreement may provide for arbitration in a forum outside of Illinois.

Section 12.14 is deleted in its entirety.

Section 12.16 is amended to add:

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Developer becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by

the Act, or ninety (90) days after delivery to Developer of a written notice disclosing the violation, whichever shall first expire.

2. Any condition, stipulation, or provision purporting to bind any person acquiring any Developer to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

FOR ILLINOIS DEVELOPERS ONLY (PLEASE SEE SECTION 12.18 OF THE MULTI-UNIT DEVELOPMENT AGREEMENT):

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

By: _____

Name: _____

Title: _____

DEVELOPER:

(type/print name)

By: _____

Name: _____

Title: _____

FOR THE STATE OF MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Multi-Unit Development Agreement agree as follows:

Sections 4.2 and 10 are amended to add that with respect to franchises governed by Minnesota Law, Franchisor shall comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires, (except in certain specified cases) (1) that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Section 8.2(B) does not provide for a prospective general release of any claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Section 1.2 is amended to add that as required by Minnesota Franchise Act, Franchisor shall reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. Franchisor will reasonably protect Franchisee's rights to use the Marks.

Section 9.6 is amended to provide that Franchisor is entitled only to seek an injunction or other equitable relief. Section 9.6 is further amended to add that a court will determine if a bond is required.

Section 12.16 of the Multi-Unit Development Agreement shall be amended to provide that no action may be commenced pursuant to the Multi-Unit Development Agreement more than three (3) years after the cause of action accrues in accordance with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure

Document or Multi-Unit Development Agreement can abrogate or reduce (1) any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C or (2) Developer's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

FOR MINNESOTA DEVELOPERS ONLY (PLEASE SEE SECTION 12.18 OF THE MULTI-UNIT DEVELOPMENT AGREEMENT):

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

By: _____

Name: _____

Title: _____

DEVELOPER:

(type/print name)

By: _____

Name: _____

Title: _____

Exhibit E
General Release

GENERAL RELEASE

To all to whom these Presents shall come, Know That _____ a corporation or limited liability company organized under the laws of the State of _____ [an individual domiciled in the State of _____] as Releasor, in consideration of the execution by LAB Holding Company, LLC (“LAB Holding” or “Releasee”) of a Renewal Agreement renewing the franchise between Releasor and LAB Holding (the “Franchise Agreement”), and other good and valuable consideration, hereby releases and discharges LAB Holding’s officers, directors, shareholders, agents, attorneys, contractors, and employees of each of the foregoing (in their corporate and individual capacities), along with Releasee’s heirs, executors, administrators, successors, and assigns, from and against any and all actions causes of action, suits, claims, debts, sums of money, accounts, covenants, controversies, agreements, damages, judgments, executions, and demands whatsoever, in law or equity, which against the Releasee, the Releasor, Releasor’s heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, known or unknown, asserted or unasserted, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, provided, however, that this Release shall not purport to release Releasee from any future claims arising out of or related to any Renewal Agreement entered into between Releasee and Releasor, that all liabilities arising under Indiana Code Sec 23-2-2.7 are excluded from this Release, and that all rights enjoyed by Releasor under said Franchise Agreement and any causes of action arising in his, her, or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued hereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If Releasor is domiciled or has his or her principal place of business in the State of California, then Releasor hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

Whenever the text hereof requires, the use of singular number shall indicate the appropriate plural number as the text of the within instrument may require.

This RELEASE may not be changed orally.

IN WITNESS WHEREOF, the Releasor (if an individual) has executed this RELEASE, and (if a corporation) has caused this RELEASE to be executed by a duly authorized officer and its corporate seal to be hereunto affixed on _____, _____.

Releasor

[SEAL]

By _____

ACKNOWLEDGMENT FOR CORPORATE RELEASOR

STATE OF _____
COUNTY OF _____

On _____, _____ before me _____,
personally came _____, to me known, who, by me duly sworn, did depose
and say that deponent resides _____, that deponent is the _
_____ of _____, the corporation described in the
foregoing RELEASE, and which executed said RELEASE, that deponent knows the seal of the
corporation, that the seal affixed to the RELEASE is the corporate seal, that it was affixed by order
of the board of directors of the corporation, and that deponent signed deponent's name by like
order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

My Commission expires _____

(NOTARIAL SEAL)

ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR

STATE OF _____
COUNTY OF _____

On this __ day of _____, _____, before me _____ the undersigned officer,
(Name of Notary)

Personally appeared _____, to be personally known, and known to me to be
the same person whose name is signed to the foregoing RELEASE, and acknowledged the
execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

My Commission Expires _____

(Notarial Seal)

Exhibit F
Financial Statements

LAB HOLDING COMPANY, LLC

Financial Statements
December 31, 2021 and 2020

LAB HOLDING COMPANY, LLC

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CADE, CRENSHAW & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
2100 SOUTHBRIDGE PARKWAY – SUITE 460
BIRMINGHAM, ALABAMA 35209

To the Board of Directors and Members
LAB Holding Company, LLC
Birmingham, Alabama

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of LAB Holding Company, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LAB Holding Company, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LAB Holding Company, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

LAB Holding Company, LLC
Independent Auditor's Report
Page Three

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

Cade, Creshaw & Associates, P.C.

Birmingham, Alabama
April 12, 2022

LAB HOLDING COMPANY, LLC
BALANCE SHEETS
December 31, 2021 and 2020

	ASSETS		
		<u>2021</u>	<u>2020</u>
CURRENT ASSETS:			
Cash		\$ 208,225	\$ 132,714
Other Current Assets		<u>84</u>	<u>-</u>
Total Current Assets		<u>208,309</u>	<u>132,714</u>
 OTHER ASSETS:			
Contract Acquisition and Fulfillment Cost, net Accumulated Amortization of \$203,892 and \$111,905, respectively		715,982	480,627
Start-up Costs		25,552	25,552
Website Development		14,044	14,044
Less: Accumulated Amortization		<u>(26,536)</u>	<u>(24,478)</u>
Total Other Assets		<u>729,042</u>	<u>495,745</u>
 TOTAL ASSETS		 <u><u>\$ 937,351</u></u>	 <u><u>\$ 628,459</u></u>

See accompanying notes and independent auditor's report.

LAB HOLDING COMPANY, LLC
BALANCE SHEETS - CONTINUED
December 31, 2021 and 2020

LIABILITIES & MEMBERS' EQUITY

CURRENT LIABILITIES:

Payroll and Other Current Liabilities	\$ 7,450	\$ 5,539
Current Portion of Long-Term Contract Liabilities	<u>88,573</u>	<u>65,164</u>
 Total Current Liabilities	 <u>96,023</u>	 <u>70,703</u>

OTHER LIABILITIES:

PPP Loan	10,726	-
Contract Liabilities, net of Current Portion	<u>489,620</u>	<u>379,974</u>
 Total Other Liabilities	 <u>500,346</u>	 <u>379,974</u>

TOTAL LIABILITIES

596,369 450,677

MEMBERS' EQUITY

340,982 177,782

TOTAL LIABILITIES AND MEMBERS' EQUITY

\$ 937,351 \$ 628,459

See accompanying notes and independent auditor's report.

LAB HOLDING COMPANY, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE:		
Franchise, Area Representation and Multi-Development Agreement Income	\$ 76,445	\$ 65,164
Royalties and Renumeration	245,954	87,453
Training Income	3,750	4,500
Brand Development Fees	29,316	9,999
 Total Revenues	 355,465	 167,116
 OPERATING EXPENSES:		
Professional Fees	50,220	29,014
Computer and Support	17,344	7,162
Office Expenses and Supplies	11,231	6,566
Advertising and Marketing	6,917	7,711
Salary Expenses	4,808	-
Training	3,715	4,262
Bank Charges	1,468	812
Meals and Entertainment	1,146	1,000
Taxes and Licenses	862	800
Other Operating Expenses	509	136
 Total Operating Expenses	 98,220	 57,463
 OPERATING INCOME (LOSS)	 257,245	 109,653
 OTHER INCOME (EXPENSE):		
Other Income (Expense)	-	8,000
Contract Investment Amortization	(91,987)	(59,253)
Intangible Amortization	(2,058)	(2,058)
 Total Other Income (Expense)	 (94,045)	 (53,311)
 NET INCOME (LOSS)	 163,200	 56,342
 MEMBERS' EQUITY - BEGINNING OF YEAR	 177,782	 (59,446)
 CAPITAL CONTRIBUTIONS	 -	 180,886
 MEMBERS' EQUITY - END OF YEAR	 \$ 340,982	 \$ 177,782

See accompanying notes and independent auditor's report.

LAB HOLDING COMPANY, LLC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers (Franchises)	\$ 488,520	\$ 109,952
Cash Paid to Suppliers and Employees	(423,735)	(285,668)
Net Cash from Operating Activities	64,785	(175,716)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of Debt	10,726	-
Capital Contributions from Members	-	180,886
Net Cash from Financing Activities	10,726	180,886
NET INCREASE IN CASH	75,511	5,170
CASH, BEGINNING OF YEAR	132,714	127,544
CASH, END OF YEAR	\$ 208,225	\$ 132,714
 RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 163,200	\$ 56,342
Adjustments:		
Intangible Amortization	2,058	2,058
Net Change in Contract Acquisition Cost	(235,355)	(172,085)
Net Change in Receivables	(84)	-
Net Change in Deferred Revenue	133,055	(65,164)
Net Change in Current Liabilities	1,911	3,133
NET CASH FROM OPERATING ACTIVITIES	\$ 64,785	\$ (175,716)

See accompanying notes and independent auditor's report.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

LAB Holding Company, LLC was formed in 2015 as a holding company and franchisor of L.A. Bikini franchises. The Company acts as a management company overseeing the operations of franchised L.A. Bikini Studios. L.A. Bikini Studios offer body and facial hair removal for both women and men. L.A. Bikini Studios feature proprietary techniques and sugaring (not wax) products and other items that are available from L.A. Bikini, its affiliates, or designated suppliers.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles.

Use of Estimates

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

Accounts Receivable

The Company reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. Management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, the Company. Members are taxed individually on their share of the Company's earnings. The Company assesses their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. The Company has determined that it did not (or will not) have any positions at December 31, 2021 that it would be unable to substantiate. The Company has filed its tax returns through December 31, 2020. The tax returns for the years ended December 31, 2018, and thereafter are subject to audit by the taxing authorities.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed to operations when incurred unless they are specifically related to obtaining a contract or fulfilling contract obligations in which they are recorded as contract acquisition and fulfillment cost and amortized over the life of the contract.

NOTE 2 – REVENUE WITH CONTRACTS WITH CUSTOMERS

As of December 31, 2021 and 2020, the Company has in place twelve (12) unit franchise agreements, one (1) multi-development agreement, and five (6) area representation agreements with unrelated parties.

Franchise Revenues

Franchise revenues consist primarily of royalties, brand development, training, remuneration, and initial and renewal franchise fees. The Companies performance obligations under franchise agreements consist of: (1) a franchise license and operating manual, (2) pre-opening services, such as training and inspections and (3) ongoing services, such as operating assistance as well as studio monitoring and inspections. These performance obligations are highly interrelated, so the Company does not consider them to be individually distinct. Under ASC 606, they are accounted for as a single performance obligation, which is satisfied over time by providing a right to use the Company's intellectual property over the term of each franchise agreement.

Royalties and brand development fees are calculated as a percentage of franchise studio sales. Remuneration income is compensation provided from a third party as a percentage of product sales to franchisees. Continued training fees after the opening of the studio are a set fee per hour and recognized as the revenue occurs. The initial franchisee fee is payable upon execution of the franchise agreement and the renewal fee is due and payable at the expiration of the initial term of the franchise agreement. The franchise agreement royalties and brand development fees represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized as franchise sales occur.

There are two (2) L.A. Bikini operations that are wholly owned and operated by the majority member of the Company. These entities have use of all of the rights and privileges of a standard franchise but are not subject to the franchise agreement.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE 2 – REVENUE WITH CONTRACTS WITH CUSTOMERS (continued)

Area Representation and Multi-Development Revenues

Area Representation and Multi-Development revenues consist primarily of initial and renewal agreement fees. The Company’s performance obligations under these agreements consist of: (1) area rights and operating manual, (2) operating assistance and consultations, including training, and (3) sample advertising. These performance obligations are highly interrelated, so the Company does not consider them to be individually distinct. Under ASC 606, they are accounted for as a single performance obligation, which is satisfied over time by providing a right to use the Company’s intellectual property over the term of each area representation and multi-development agreement. The initial area representation and multi-development agreement initial fee is payable in one of the following ways: 1) fully payable upon the execution of the agreement, or 2) partially payable upon execution of the agreement and the remainder payable at later time contingent upon the opening of franchise locations. These agreements give exclusive rights to sub-franchise the opening and operation of an unlimited number of locations in the area; therefore, the Company recognizes the initial area representation and multi-development fee revenue that is paid upon the execution of the agreement over the life of the contract. The initial fees that are payable contingent upon studio openings, will be recognized once the studios are operating. The renewal fee is due and payable at the expiration of the initial term of the franchise agreement. Significant judgements are required in determining the allocation of revenue over time due to the distinct nature of each contract.

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial franchise, area representation and multi-development fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying agreement. These contract liabilities are included in other liabilities on the balance sheet.

The following table illustrates the estimated revenues expected to be recognized in the future related to the deferred franchise, area representation and multi-development fees that are unsatisfied (or partially unsatisfied) as of December 31, 2021:

2022		\$ 88,573
2023		88,573
2024		88,573
2025		69,810
2026		67,410
Thereafter		<u>175,254</u>
Total		<u><u>\$ 578,193</u></u>

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE 2 – REVENUE WITH CONTRACTS WITH CUSTOMERS (continued)

Amortization of the deferred franchise, area representation, and multi-development fees will begin when the agreement is executed, and revenue will be recognized straight-line over the term of the agreement (which is typically 10 years). If the agreement is terminated, the deferred fee will be recognized in full in the period of termination.

NOTE 3 – CONTRACT ACQUISITION AND FULFILLMENT COST

The Company incurs certain costs to obtain and fulfill contracts with customers, which are then capitalized and amortized on a straight-line basis over the initial, non-cancellable term of the contract. The Company classifies incremental costs of obtaining a contract with a customer in the “Contract Acquisition and Fulfillment Cost” caption of the Balance Sheet, the related amortization in the “Contract Investment Amortization” caption of the Income Statements, and the cash flow impact in the “Contract acquisition costs” caption of our Statements of Cash Flows.

NOTE 4 – INTANGIBLE ASSETS

The Company’s balance sheet contains certain intangible assets which are being amortized on a straight-line basis. These intangible assets consist of Start-up costs that were incurred upon formation of the Company related to formation and franchise organizational costs. They also consist of Website development costs incurred with the Company’s website. The cost of these assets are being amortized over their estimated useful lives. The lives of these assets range from 3 years to 15 years.

Following is a summary of intangible assets as of December 31, 2021:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>
Start-up Costs	\$ 25,552	\$ 12,492
Website Development	<u>14,044</u>	<u>14,044</u>
	<u>\$ 39,596</u>	<u>\$ 26,536</u>

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE 4 – INTANGIBLE ASSETS (continued)

Following is a summary of intangible assets as of December 31, 2020:

	Gross Amount	Accumulated Amortization
Start-up Costs	\$ 25,552	\$ 10,434
Website Development	14,044	14,044
	\$ 39,596	\$ 24,478

Amortization expense for 2021 and 2020 is \$2,058 and \$2,058, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2030 is, \$1,703, respectively.

NOTE 5 – SBA PPP LOAN

In 2021, the Company received loan proceeds of \$10,726 under the Paycheck Protection Program {"PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan accrues interest at a rate of 1% per year. The PPP loan matures in 2026; however, the loan and accrued interest are forgivable after twenty-four weeks, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during twenty-four-week period.

NOTE 6 – REVENUE CONCENTRATION

The Company obtains revenue from various organizations throughout the year. The following organization made up a significant portion of revenue during the year ended December 31, 2021:

23 percent or \$83,278 of the Company's revenue was obtained from Alexandria Professional, LLC.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE 6 – REVENUE CONCENTRATION (continued)

The following organization made up a significant portion of revenue during the year ended December 31, 2020:

20 percent or \$34,783 of the Company's revenue was obtained from Myer Enterprises, LLC.

22 percent or \$38,367 of the Company's revenue was obtained from Alexandria Professional, LLC.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 12, 2022, the date on which the financial statements were available to be issued.

LAB HOLDING COMPANY, LLC

Financial Statements
December 31, 2020 and 2019

LAB HOLDING COMPANY, LLC

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CADE, CRENSHAW & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
2100 SOUTHBRIDGE PARKWAY – SUITE 460
BIRMINGHAM, ALABAMA 35209

To the Board of Directors and Members
LAB Holding Company, LLC
Birmingham, Alabama

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of LAB Holding Company, LLC, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LAB Holding Company, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LAB Holding Company, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

LAB Holding Company, LLC
Independent Auditor's Report
Page Three

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

Cade, Crenshaw & Associates, P.C.

Birmingham, Alabama
April 2, 2021

LAB HOLDING COMPANY, LLC
BALANCE SHEETS
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash	\$ 132,714	\$ 127,544
Total Current Assets	132,714	127,544
OTHER ASSETS:		
Contract Acquisition and Fulfillment Cost, net Accumulated Amortization of \$111,905 and \$52,652, respectively	480,627	308,542
Start-up Costs	25,552	25,552
Website Development	14,044	14,044
Less: Accumulated Amortization	(24,478)	(22,420)
Total Other Assets	495,745	325,718
TOTAL ASSETS	\$ 628,459	\$ 453,262
LIABILITIES & MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Payroll and Other Current Liabilities	\$ 5,539	\$ 367
Current Portion of Long-Term Contract Liabilities	65,164	65,164
Accounts Payable	-	2,039
Total Current Liabilities	70,703	67,570
OTHER LIABILITIES:		
Contract Liabilities, net of Current Portion	379,974	445,138
Total Other Liabilities	379,974	445,138
TOTAL LIABILITIES	450,677	512,708
MEMBERS' EQUITY	177,782	(59,446)
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 628,459	\$ 453,262

See accompanying notes and independent auditor's report.

LAB HOLDING COMPANY, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY
Years Ended December 31, 2020 and 2019

	2020	2019
REVENUE:		
Franchise, Area Representation and Multi-Development Agreement Income	\$ 65,164	\$ 40,190
Royalties and Renumeration	87,453	54,964
Training Income	4,500	2,250
Brand Development Fees	9,999	8,174
Miscellaneous Income	-	21,980
	167,116	127,558
OPERATING EXPENSES:		
Professional Fees	29,014	8,337
Advertising and Marketing	7,711	108,773
Computer and Support	7,162	6,873
Office Expenses and Supplies	6,566	2,510
Training	4,262	49
Meals and Entertainment	1,000	877
Bank Charges	812	917
Taxes and Licenses	800	400
Other Operating Expenses	136	309
Travel	-	11,795
Merchant Charges - Visa/MC	-	47
	57,463	140,887
OPERATING INCOME (LOSS)	109,653	(13,329)
OTHER INCOME (EXPENSE):		
Other Income (Expense)	8,000	-
Contract Investment Amortization	(59,253)	(36,119)
Intangible Amortization	(2,058)	(2,058)
	(53,311)	(38,177)
NET INCOME (LOSS)	56,342	(51,506)
MEMBERS' EQUITY - BEGINNING OF YEAR (See Note 1)	(59,446)	(9,474)
CAPITAL CONTRIBUTIONS	180,886	1,534
MEMBERS' EQUITY - END OF YEAR	\$ 177,782	\$ (59,446)

See accompanying notes and independent auditor's report.

LAB HOLDING COMPANY, LLC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers (Franchises)	\$ 109,952	\$ 477,368
Cash Paid to Suppliers and Employees	(285,668)	(387,091)
Net Cash from Operating Activities	(175,716)	90,277
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital Contributions from Members	180,886	1,534
Net Cash from Financing Activities	180,886	1,534
NET INCREASE IN CASH	5,170	91,811
CASH, BEGINNING OF YEAR	127,544	35,733
CASH, END OF YEAR	\$ 132,714	\$ 127,544
 RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
NET LOSS	\$ 56,342	\$ (51,506)
Adjustments:		
Intangible Amortization	2,058	2,058
Net Change in Beginning Equity (see Note 1)	-	(19,666)
Net Change in Contract Acquisition Cost	(172,085)	(308,542)
Net Change in Receivables	-	35,000
Net Change in Deferred Revenue	(65,164)	435,302
Net Change in Current Liabilities	3,133	(2,369)
NET CASH FROM OPERATING ACTIVITIES	\$ (175,716)	\$ 90,277

See accompanying notes and independent auditor's report.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

LAB Holding Company, LLC was formed in 2015 as a holding company and franchisor of L.A. Bikini franchises. The Company acts as a management company overseeing the operations of franchised L.A. Bikini Studios. L.A. Bikini Studios offer body and facial hair removal for both women and men. L.A. Bikini Studios feature proprietary techniques and sugaring (not wax) products and other items that are available from L.A. Bikini, its affiliates, or designated suppliers.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles.

Use of Estimates

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

Accounts Receivable

The Company reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. Management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, the Company. Members are taxed individually on their share of the Company's earnings. The Company assesses their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. The Company has determined that it did not (or will not) have any positions at December 31, 2020 that it would be unable to substantiate. The Company has filed its tax returns through December 31, 2019. The tax returns for the years ended December 31, 2017, and thereafter are subject to audit by the taxing authorities.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed to operations when incurred unless they are specifically related to obtaining a contract or fulfilling contract obligations in which they are recorded as contract acquisition and fulfillment cost and amortized over the life of the contract.

Recently Adopted Accounting Pronouncements

The Company transitioned to the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”) from ASC Topic 605, Revenue Recognition and ASC Topic 953-605, Franchisors - Revenue Recognition (together, the “Previous Standards”) on January 1, 2019. The transition to ASC 606 represents a change in accounting principle. ASC 606 eliminates industry-specific guidance and provides a single model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled for the exchange of those goods or services.

The Company adopted ASC 606 using the modified retrospective method applied to contracts that were not completed at December 31, 2018. The financial statements reflect the application of ASC 606 beginning in fiscal year 2019, while the financial statements for the 2018 fiscal year were prepared under the guidance of the Previous Standards. The cumulative effect of the adoption of ASC 606 was \$19,666 and is reflected as a decrease to December 31, 2018 members’ equity.

The adoption of ASC 606 did not have an impact on the recognition of revenues from ongoing franchise royalty fees, training fees and brand development fees, which are based on a percentage of franchisee sales. The adoption did impact the recognition of initial franchise fees, multi-development fees, and area representation fees.

The adoption of ASC 606 requires us to recognize initial and renewal franchise and area representation fees on a straight-line basis over the term of the franchise agreement, which is usually 10 years. Historically, the Company recognized revenue from initial franchise and representative fees upon the opening of a franchised studio when all our material obligations and initial services have been met. (See Note 2).

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The impact of the adoption of ASC 606 on the balance sheet as of December 31, 2019 was as follows:

	<u>As Reported</u>	<u>Adjustments</u>	<u>Balance Without ASC 606 Adoption</u>
ASSETS:			
Cash	\$ 127,544	\$ -	\$ 127,544
Account Receivable	-	-	-
Total Current Assets	<u>127,544</u>	<u>-</u>	<u>127,544</u>
Contract Acquisition and Fulfillment Cost, net of Accumulated Amortization of \$52,652	308,542	(308,542)	-
Start-up Costs	25,552	-	25,552
Website Development	14,044	-	14,044
Less: Accumulated Amortization	(22,420)	-	(22,420)
Total Other Assets	<u>325,718</u>	<u>(308,542)</u>	<u>17,176</u>
Total Assets	<u>\$ 453,262</u>	<u>\$ (308,542)</u>	<u>\$ 144,720</u>
LIABILITIES AND MEMBERS' EQUITY:			
Payroll and Other Current Liabilities	\$ 367	\$ -	\$ 367
Current Portion of Long-Term Contract Liabilities	65,164	(65,164)	-
Accounts Payable	2,039	-	2,039
Total Current Liabilities	<u>67,570</u>	<u>(65,164)</u>	<u>2,406</u>
Contract Liabilities, net of Current Portion	<u>445,138</u>	<u>(445,138)</u>	<u>-</u>
Total Other Liabilities	<u>445,138</u>	<u>(445,138)</u>	<u>-</u>
Members' Equity	<u>(59,446)</u>	<u>201,760</u>	<u>142,314</u>
Total Liabilities and Member's Equity	<u>\$ 453,262</u>	<u>\$ (308,542)</u>	<u>\$ 144,720</u>

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The impact of the adoption of ASC 606 on the income statement for the year ended December 31, 2019 was as follows:

	<u>As Reported</u>	<u>Adjustments</u>	<u>Balance Without ASC 606 Adoption</u>
REVENUE:			
Franchise, Area Representation and Multi-Development Agreement Income	\$ 40,190	\$ 389,810	\$ 430,000
Royalties and Renumeration	54,964	-	54,964
Training Income	2,250	-	2,250
Brand Development Fees	8,174	-	8,174
Miscellaneous Income	21,980	-	21,980
Total Revenues	<u>127,558</u>	<u>389,810</u>	<u>517,368</u>
EXPENSE:			
Advertising and Marketing	108,773	39,058	147,831
Sales Commissions	-	113,749	113,749
Travel	11,795	-	11,795
Professional Fees	8,337	56,315	64,652
Computer and Support	6,873	9,925	16,798
Office Expenses and Supplies	2,510	-	2,510
Bank Charges	917	-	917
Meals and Entertainment	877	1,155	2,032
Taxes and Licenses	400	-	400
Other Operating Expenses	309	-	309
Training	49	23,633	23,682
Merchant Charges - Visa/MC	47	-	47
Total Operating Expenses	<u>140,887</u>	<u>243,835</u>	<u>384,722</u>
OPERATING INCOME (LOSS)	<u>\$ (13,329)</u>	<u>\$ 145,975</u>	<u>\$ 132,646</u>
Contract Investment Amortization	(36,119)	36,119	-
Intangible Amortization	<u>(2,058)</u>	<u>-</u>	<u>(2,058)</u>
Total Other Income (Expense)	<u>(38,177)</u>	<u>36,119</u>	<u>(2,058)</u>
NET INCOME (LOSS)	<u>\$ (51,506)</u>	<u>\$ 182,094</u>	<u>\$ 130,588</u>

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flow (Topic 230) (ASU 2016-15). This update is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update provides new guidance regarding the classification of debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitized transactions, and separately identifiable cash flows and application of the predominance principle. This standard was adopted by the Company as of January 1, 2019. There were no effects to the cash flow statement for the year ended December 31, 2019.

NOTE 2 – REVENUE WITH CONTRACTS WITH CUSTOMERS

As of December 31, 2020 and 2019, the Company has in place twelve (12) unit franchise agreements, one (1) multi-development agreement, and five (5) area representation agreements with unrelated parties.

Franchise Revenues

Franchise revenues consist primarily of royalties, brand development, training, remuneration, and initial and renewal franchise fees. The Companies performance obligations under franchise agreements consist of: (1) a franchise license and operating manual, (2) pre-opening services, such as training and inspections and (3) ongoing services, such as operating assistance as well as studio monitoring and inspections. These performance obligations are highly interrelated, so the Company does not consider them to be individually distinct. Under ASC 606, they are accounted for as a single performance obligation, which is satisfied over time by providing a right to use the Company's intellectual property over the term of each franchise agreement.

Royalties and brand development fees are calculated as a percentage of franchise studio sales. Remuneration income is compensation provided from a third party as a percentage of product sales to franchisees. Continued training fees after the opening of the studio are a set fee per hour and recognized as the revenue occurs. The initial franchisee fee is payable upon execution of the franchise agreement and the renewal fee is due and payable at the expiration of the initial term of the franchise agreement. The franchise agreement royalties and brand development fees represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized as franchise sales occur.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE 2 – REVENUE WITH CONTRACTS WITH CUSTOMERS (continued)

There are two (2) L.A. Bikini operations that are wholly owned and operated by the majority member of the Company. These entities have use of all of the rights and privileges of a standard franchise but are not subject to the franchise agreement.

Area Representation and Multi-Development Revenues

Area Representation and Multi-Development revenues consist primarily of initial and renewal agreement fees. The Company's performance obligations under these agreements consist of: (1) area rights and operating manual, (2) operating assistance and consultations, including training, and (3) sample advertising. These performance obligations are highly interrelated, so the Company does not consider them to be individually distinct. Under ASC 606, they are accounted for as a single performance obligation, which is satisfied over time by providing a right to use the Company's intellectual property over the term of each area representation and multi-development agreement. The initial area representation and multi-development agreement initial fee is payable in one of the following ways: 1) fully payable upon the execution of the agreement, or 2) partially payable upon execution of the agreement and the remainder payable at later time contingent upon the opening of franchise locations. These agreements give exclusive rights to sub-franchise the opening and operation of an unlimited number of locations in the area; therefore, the Company recognizes the initial area representation and multi-development fee revenue that is paid upon the execution of the agreement over the life of the contract. The initial fees that are payable contingent upon studio openings, will be recognized once the studios are operating. The renewal fee is due and payable at the expiration of the initial term of the franchise agreement. Significant judgements are required in determining the allocation of revenue over time due to the distinct nature of each contract.

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial franchise, area representation and multi-development fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying agreement. These contract liabilities are included in other liabilities on the balance sheet. The following table reflects the change in contract liabilities between the date of adoption January 1, 2019 and December 31, 2019:

Balance at January 1, 2019	\$ 75,000
Revenue recognized that was included in the contract liability balance at the beginning of the year	(11,000)
Increase, net of amounts recognized as revenue during the period	<u>381,138</u>
Balance at December 31, 2019	<u><u>\$ 445,138</u></u>

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE 2 – REVENUE WITH CONTRACTS WITH CUSTOMERS (continued)

The following table illustrates the estimated revenues expected to be recognized in the future related to the deferred franchise, area representation and multi-development fees that are unsatisfied (or partially unsatisfied) as of December 31, 2020:

2021		\$ 65,164
2022		65,164
2023		65,164
2024		65,164
2025		65,164
Thereafter		<u>119,318</u>
Total		<u><u>\$ 445,138</u></u>

Amortization of the deferred franchise, area representation, and multi-development fees will begin when the agreement is executed, and revenue will be recognized straight-line over the term of the agreement (which is typically 10 years). If the agreement is terminated, the deferred fee will be recognized in full in the period of termination.

NOTE 3 – CONTRACT ACQUISITION AND FULFILLMENT COST

The Company incurs certain costs to obtain and fulfill contracts with customers, which are then capitalized and amortized on a straight-line basis over the initial, non-cancellable term of the contract. The Company classifies incremental costs of obtaining a contract with a customer in the “Contract Acquisition and Fulfillment Cost” caption of the Balance Sheet, the related amortization in the “Contract Investment Amortization” caption of the Income Statements, and the cash flow impact in the “Contract acquisition costs” caption of our Statements of Cash Flows.

NOTE 4 – INTANGIBLE ASSETS

The Company’s balance sheet contains certain intangible assets which are being amortized on a straight-line basis. These intangible assets consist of Start-up costs that were incurred upon formation of the Company related to formation and franchise organizational costs. They also consist of Website development costs incurred with the Company’s website. The cost of these assets are being amortized over their estimated useful lives. The lives of these assets range from 3 years to 15 years.

LAB HOLDING COMPANY, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE 4 – INTANGIBLE ASSETS (continued)

Following is a summary of intangible assets as of December 31, 2020:

	Gross Amount	Accumulated Amortization
Start-up Costs	\$ 25,552	\$ 10,434
Website Development	14,044	14,044
	\$ 39,596	\$ 24,478

Following is a summary of intangible assets as of December 31, 2019:

	Gross Amount	Accumulated Amortization
Start-up Costs	\$ 25,552	\$ 8,376
Website Development	14,044	14,044
	\$ 39,596	\$ 22,420

Amortization expense for 2020 and 2019 is \$2,058 and \$2,058, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2030 is, \$1,703, respectively.

NOTE 5 – REVENUE CONCENTRATION

The Company obtains revenue from various organizations throughout the year. The following organization made up a significant portion of revenue during the year ended December 31, 2020:

20 percent or \$34,783 of the Company’s revenue was obtained from the Myer Enterprises, LLC.

22 percent or \$38,367 of the Company’s revenue was obtained from Alexandria Professional, LLC.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 2, 2021, the date on which the financial statements were available to be issued.

Exhibit G

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Exhibit H
List of Current Franchisees
and Area Developers

LIST OF CURRENT FRANCHISEES AND AREA DEVELOPERS

Current Franchisees

Slick Lifestyles, LLC
1451 Dr. Edward Hillard Dr.
Tuscaloosa, AL 35404
Telephone: (205) 409-4420

RAM Salon Development LLC
1310 Tingle Circle Road East
Suite A106
Mobile, AL 36606
Telephone: (251) 308-3485

LAB JB010 LLC
3992 3rd Street South
Jacksonville Beach, FL 32250
Telephone: (904) 339-6566

[RAM Salon Development LLC](#)
[7770 Bluebonnet Blvd.](#)
[Suite E](#)
[Baton Rouge, LA 70810](#)
[Telephone: \(255\) 547-8427](#)

Michelle Sottosanti & Lisa Marino
Brook 35
2150 NJ Highway 35
Suite 21E
Sea Girt, NJ 08750
Telephone: (732) 401-8390

Us and Them, LLC
302 Colonades Way
Suite D208
Cary, NC 27518
Telephone: (919) 439-4229

Nights of Wonder, LLC
Chapel Hill
109 S. Elliott Road
Chapel Hill, NC 27514
Telephone: (919) 883-5949

LAB CLT2, LLC

1730 East Woodlawn Road
Suite H
Charlotte, NC 28209
Telephone: (704) 312-9997

[Division Bell, LLC](#)
[Erwin Mill](#)
[737 Ninth Street](#)
[Suite 270](#)
[Durham, NC 27705](#)
[Telephone: \(919\) 335-9955](#)

Nancy Fierro
University Commons
343-5 South College Road
Wilmington, NC 28403
Telephone: (910) 601-7150

Lone Star-MDH Asset Management, Inc.
Village at Stone Oak
22502 U.S. Highway 281 N
Suite 110
San Antonio, TX 78259
Telephone: (210) 944-4415

LAB Studio, Inc.
264 East 12300 South
Suite F
Draper, UT 84020
Telephone: (801) 495-4888

Current Area Developers

Passage of Time, LLC
320 Northwood Drive
Raleigh, NC 27609
Telephone: (919) 439-4229

Exhibit I
List of Former Franchisees
and Area Developers

LIST OF FORMER FRANCHISEES AND AREA DEVELOPERS

Former Franchisees

During the last fiscal year, one franchisee that operated an L.A. BIKINI franchise in Charlotte, North Carolina has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

LAB CLT1, LLC
5433 Challisford Lane
Charlotte, NC 28225
Telephone: (704) 312-9997

Note: The principal of LAB CLT1, LLC is the same principal of current franchisee LAB CLT2, LLC, and can be reached at the same telephone number.

Former Area Developers

We do not have any former Area Developers.

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

Exhibit J
State Specific Addenda

**ADDENDUM TO THE
LAB HOLDING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. REGISTRATION OF THIS DISCLOSURE DOCUMENT WITH THE STATE OF CALIFORNIA DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

3. 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.

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).

4. ITEM 3 of the Disclosure Document is amended to add the following:

Neither the franchisor, any person, or franchise broker in ITEM 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.

5. ITEM 17 of the Disclosure Document is amended to add the following:

California Business and Professions Code sections 20000 through 20043 establish the rights of the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement or the multi-unit development agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement and the multi-unit development agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

The franchise agreement and the multi-unit development agreement contain covenants not to compete which extend beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement and the multi-unit development agreement require

binding arbitration. The arbitration will occur at Birmingham, Alabama with the costs being borne by the non-prevailing party.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code section 20040.5, Code of Civil Procedure section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement or the multi-unit development agreement restricting venue to a forum outside the State of California.

The franchise agreement and the multi-unit development agreement require application of the laws of Alabama. Those provisions may not be enforceable under California law.

The franchise agreement and the multi-unit development agreement require litigation to be conducted in a court located outside of the State of California. Those provisions might not be enforceable for any cause of action arising under California law.

6. The following URL address is for the franchisor's Web site: www.mylabikini.com

OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~BUSINESS—OVERSIGHT~~FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF ~~BUSINESS OVERSIGHT~~AT www.dbo.ca.gov FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

7. 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).

8. Franchisor has not offered or sold franchises in the State of California prior to the date of this Disclosure Document, and it has not negotiated terms different from the terms of the franchise offered pursuant to this Disclosure Document to any California franchise, in accordance with Section 31109.1 of the California Franchise Investment Law.

9. The franchise agreement and multiunit development agreement contain provisions requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives, limiting your recovery to actual damages. 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.

FOR THE STATE OF ILLINOIS

Illinois law governs the Agreements.

Payment of Initial Franchise Fees/Development Fees will be deferred until Franchisor has met its initial obligations, 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.

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.

No action for liability under the Illinois Franchise Disclosure Act may be maintained unless the action is brought before the expiration of the earliest of: (a) 3 years after the act or transaction constituting the violation upon which the action or liability is based; or (b) the expiration of 1 year after the franchisee becomes aware of any facts or circumstances reasonably indicating that the franchisee may have a claim for relief; or (c) 90 days after delivery to the franchisee of a written notice disclosing the violation.

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.

WHILE THIS FRANCHISE SYSTEM DOES NOT HAVE AN ACTIVE ADVERTISING FUND, THE FRANCHISOR STILL COLLECTS WEEKLY ADVERTISING FEES FROM ITS FRANCHISEES.

ITEM 6 of the Disclosure Document is amended to add the following:

With respect to certain inventory products, we may require you to hold specified levels of inventory at your franchise location. The cost to maintain the specified level of inventory will vary under the circumstances and must be paid when invoiced. As noted in ITEMS 7 and 8, certain inventory items will be purchased from approved suppliers. See ITEM 8 for more information on inventory requirements.

ITEM 17 of the Disclosure Document is amended to add the following:

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

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement or the Multi-Unit Development Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any

cause of action which otherwise is enforceable in Illinois.

FOR THE STATE OF MINNESOTA

1. ITEM 6 of the Disclosure Document is amended as follows:

For the “Returned ACH Fee,” NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

2. ITEM 13 of the Disclosure Document is amended as follows:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse the Franchisee for any costs incurred by the Franchisee in the defense of the Franchisee’s right to use the Marks, so long as the Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim and Franchisor will reasonably protect Franchisee’s rights to use the Marks.

2. ITEM 17 of the Disclosure Document is amended as follows:

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which requires, (except in certain specified cases) (1) that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

ITEM 17 shall not provide for a prospective general release of any claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document, Franchise Agreement, or Multi-Unit Development Agreement shall abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Under Minn. Rules 2860.4400J, you cannot consent to Franchisor obtaining injunctive relief. However, Franchisor may seek injunctive relief. Also, a court

will determine if a bond is required.

No action may be commenced pursuant to the Franchise Agreement more than three (3) years after the cause of action accrues in accordance with Minnesota Statutes, Section 80C.17, Subd. 5.

Exhibit K
State Effective Dates

Exhibit L
Receipts

RECEIPT
(Retained by Prospective Franchisee)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If LAB Holding Company, 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.

If LAB Holding Company, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency for your state listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: Clay Haley, LAB Holding Company, LLC, 4441 Creekside Avenue, Suite 129, Hoover, Alabama 35244, Telephone: 205-369-3895.

Issuance date: April ~~19~~18, ~~2021~~2022

LAB Holding Company, LLC authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated _____ that included the following Exhibits:

- | | | | |
|----|---|----|---|
| A. | List of State Franchise Administrators | G. | Operations Manual Table of Contents |
| B. | List of Agents for Service of Process | H. | List of Current Franchisees and Area Developers |
| C. | Franchise Agreement and Exhibits | I. | List of Former Franchisees and Area Developers |
| D. | Multi-Unit Development Agreement and Exhibits | J. | State-Specific Addenda |
| E. | Form of General Release | K. | State Effective Dates |
| F. | Financial Statements | L. | Receipts |

Date (Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt by signing and dating it, and by either mailing it to LAB Holding Company, LLC at 4441 Creekside Avenue, Suite 129, Hoover, Alabama 35244, or by scanning and emailing a copy of the signed and dated receipt to LAB Holding Company, LLC at clay@mylabikini.com

RECEIPT
(Return to Franchisor)

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