

**FRANCHISE DISCLOSURE DOCUMENT**  
**(Area Representative)**



LAB Holding Company, LLC  
4441 Creekside Avenue  
Suite 129  
Hoover, Alabama 35422  
Tel: 205-369-3985  
www.mylabikini.com

The franchises offered are area representative franchises to solicit and recruit third parties to enter into unit franchise agreements with us for the establishment and operation of L.A. Bikini Studios, and to provide support services to those third parties entering into unit franchise agreements with us. 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. If you open an L.A. Bikini area representative franchise, we require that you open a franchised Studio, which is offered under a separate disclosure document.

The total investment necessary to begin operation of an L.A. Bikini area representative franchise is ~~\$317,760~~347,750 to ~~\$577,250~~925,000. This includes an amount that must be paid to the franchisor or an affiliate between ~~\$65,000~~80,000 and ~~\$185,000~~500,000.

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](mailto: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](http://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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only L.A. BIKINI business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a L.A. BIKINI franchisee?</b>	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This Franchise*

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

**1. Out-of-State Dispute Resolution.** The franchise agreement and 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.~~

~~**3. 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. Area Representative Agreement
- D. Territory Location
- E. Guaranty
- F. Confidentiality/Non-Compete Agreement
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## ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.

### The Franchisor

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 area representative 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 205-369-3895. 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 grant area representative rights to purchase a defined geographic area and become a development services representative for the L.A. Bikini brand. LAB currently also grants single-unit franchises under the terms outlined in a separate Franchise Agreement that is provided with a separate Disclosure Document provided to potential unit franchisees. Those unit franchises operate 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 using certain sugaring (not wax) products (“Products”) and other various items that the unit franchises will purchase only from LAB, its approved suppliers or affiliates. L.A. Bikini Studios offer only sugaring services.

LAB has offered unit franchises since April 2015 and area representative franchise rights since March 2017. We have to approve each location and territory, and each unit franchise location must meet our design standards.

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. 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. 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 or offered franchises for any other type of business other than unit franchises to operate L.A. Bikini Studios and area representative franchises for the solicitation and assistance in the operation of unit franchises.

### Area Representative Franchise

We 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 a development services representative for the L.A. Bikini brand within the ARA Territory. The Area Representative may be an individual or may be a business entity like a corporation or a limited liability company. In this disclosure document, we refer to the “Primary Owner” of the Area Representative franchise as any person who owns at least fifty-one percent (51%) of the ownership interests of an Area Representative that is a business entity

We require an Area Representative to own and operate a L.A. Bikini Studio in order to be approved as an Area Representative. If the Area Representative is a business entity, then its Primary Owner must own and operate a L.A. Bikini Studio in order to be approved as an Area Representative. The person or entity that purchases the defined geographic area is called an “Area Representative” and is an independent contractor of LAB. Area Representatives’ services and support obligations in the ARA Territory may include: (i) identification of new potential third party franchisees; (ii) assistance with franchise sales; (iii) advice and guidance regarding locations selection and lease negotiations; (iv) assistance in opening new L.A. Bikini Studios; (v) assistance with studio training; (vi) assistance with marketing advice; (vii) quality service evaluations; and (viii) assistance with collection of various sums due us from franchisees. If your ARA Territory has multiple Studio locations, ~~after a minimum of three Studios have opened~~ (other than the one you or an affiliate are required to operate), we require that you conduct the training for front desk and management positions at those additional Studios. Area Representatives and their owners and employees are not agents of LAB and may not contractually bind us without our express written authorization. Area Representatives do not offer franchises for sale, but rather, operate as a franchise broker and contract service representative for LAB. Therefore, the Area Representative does not have its own Franchise Disclosure Document, but instead will have the unit franchise Disclosure Document prepared by LAB delivered to a prospective franchisee located within their ARA Territory. Area Representatives may not offer franchises for the sale in a registration state unless LAB has an effective registration in that state. LAB is responsible for all costs related to the production of documents and registration of this Disclosure Document. If your state requires that you, as an Area Representative, must register as a broker or seller of franchise, then you must register as a broker or seller of franchise, you must register as a broker in that state, and pay all associated fees. LAB, and not the Area Representative, will enter into a Franchise Agreement with the franchisee for the L.A. Bikini unit franchise. If you are purchasing an ARA Territory, you will sign our Area Representative Agreement or “ARA” which is attached to this Disclosure Document as Exhibit C. The total number of L.A. Bikini Studios which you will be obligated to assist us in developing under the Area Representative Agreement and the timetable for developing them is negotiable on a case-by case basis and will be inserted in the Area Representative Agreement before you sign it. Your defined ARA Territory will also be negotiated before you sign the Area Representative Agreement.

As an area representative, you must also assist and service the franchisees within the ARA Territory.

As an area representative, subject to certain conditions, during the term of the Area Representative Agreement, you will receive 50% of the initial franchise fees paid by new franchises (including Franchisor-owned, Area Representative-owned locations, and locations owned by a Primary Owner of the Area Representative) within the ARA Territory and 50% of the royalties paid by franchisees (including Franchisor-owned, Area Representative-owned locations, and locations owned by a Primary Owner of the Area Representative) within the ARA Territory.

### Market Conditions

The market for area representative services is highly competitive, and the market in which you will compete includes not only other persons or entities that are attempting to solicit or recruit hair removal studio franchisees, but also other types of franchisees in other industries. The services offered through a Studio operated by a unit franchisee 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. As an area representative, you will have to compete with other business opportunities to solicit prospective franchisees.

### Competition

Unit franchisees will compete with hair salons, spas, other hair removal facilities, as well as through products sold by third parties directly to the consumer. As an area representative, you will have to compete not only with third parties that are offering other business opportunities in the field of hair salons, spas, other hair removal facilities, but also with other business opportunities, including those offering franchises in areas completely unrelated to hair salons, spas, other hair removal facilities, and personal services. We do not refer clients to you. The market for hair removal services and salon services in general is highly competitive and well established, and face competition from 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. 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 in the recruiting and sale of unit franchises not only from franchisors, franchise brokers, and other area representatives that represent hair salons, spas, and other hair removal facilities that use sugar for hair removal, but also from those that represent hair salons, spas, and other hair removal facilities that use wax for hair removal. You also can expect to face competition in the recruiting and sale of unit franchises from franchisors, franchise brokers, and other area representatives that represent entirely different lines of business. As an area representative, You will compete with these competitors, and others, for potential franchisees and personnel to employ in your Business.

## Regulation of Industry

Laws, rules and regulations that apply to all businesses generally will apply to your business. As an Area Representative, you will be subject to various federal and state franchise laws and regulations with respect to solicitation of franchisees, including disclosure and licensing laws and regulations. However, we will register the offering and sale of franchises with the various states of the United States, as required by statute or regulation, before we will allow the offering for sale of a franchised business in a state that requires registration. You are advised to investigate the federal, state and local laws, regulations and ordinances applicable to being an area representative and conducting your AR 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 AR Business 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 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.

If you purchase an area representative franchise, you must pay us an initial area representative fee ~~equal to the product of \$0.03 times the number of people residing (year-round or seasonally) within the~~. The initial area representative fee varies according to demographic variables, and may be subject to negotiation with the potential area representative. However, we use the following formula to determine the base initial area representative fee: We determine the number of households in the proposed ARA Territory at the time the Area Representative Agreement is signed, as determined in accordance with the most recent edition or announcement of the source we designate (subject to adjustment, in our discretion, with respect to demographics, seasonal, and other population variations) with an annual household income greater than \$75,000 per year (the “Relevant Households”). We then divide the number of Relevant Households by a divisor ranging from 25,000 to 30,000. That quotient provides the number of households in the proposed ARA Territory at we anticipate are required to support an L.A. BIKINI Studio. We then multiply that result by \$8,000. We may adjust that final product upward or downward if we anticipate a greater or fewer number of Studios may be developed in the ARA Territory, based on consideration of additional demographic attributes, including but not limited to the number of competing hair removal salons in the proposed ARA Territory. The basis for calculating the area representative fee will be the same for all Area Representatives entering into Area ~~Representatives~~Representative Agreements under this offering; however, the actual dollar amount paid may vary depending on the population in the ARA Territory and the number of existing Studios in the ARA Territory. The estimated area representative fee is ~~\$30,000~~80,000 to ~~\$150,000~~500,000. The estimated low fee is for a population with approximately 300,000 Relevant Households (after adjustment, in our discretion, with respect to demographics, seasonal, and other population variations) ~~of 1 million~~and an expectation of a development schedule for 10 Studios and the estimated high fee is for a population ~~of 5 million~~with approximately 1,875,000 Relevant Households (after adjustment, in our discretion, with respect to demographics, seasonal, and other population variations) and an expectation of a development schedule for approximately 60 Studios. The initial area representative fee is fully earned when you sign the Area Representative Agreement and is not refundable. ~~Since you~~You must agree to open at least one franchised Studio pursuant to a separate unit Franchise Agreement ~~you also must pay an~~; however, we waive the \$35,000 unit Franchise Agreement initial franchise fee for ~~the L.A. Bikini~~that Studio ~~of \$35,000~~. Information about that Studio Franchise Agreement offering is detailed in a separate Disclosure Document.

**ITEM 6: OTHER FEES**

**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Costs of complying with franchise laws applicable to the ARA Territory	\$1,000 to \$10,000	As incurred.	You must bear any direct costs you incur for your legally required compliance (as opposed to our compliance). We are responsible for preparation, and if required, registration of the Franchise Disclosure Document.
Initial Training of additional or replacement and successor personnel	\$250 per day	Before training.	No charge for initial training for initial Operating Principal and 1 additional personnel. We may charge \$250 per day for training of additional personnel
Renewal Fee	Twenty-five percent (25%) of the initial franchise fee that Area Representative paid to franchisor	Upon renewal of Franchise Agreement	
Additional Training	\$250 per day	As incurred	If you request or we require additional training, we may charge \$250 per day for that training
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.
Damages, Costs and Attorneys' Fees	Actual amount of damages, attorneys' fees, costs and expenses	As incurred	You must pay for our damages, expenses, costs and attorneys' fees if we are successful in enforcing any term of the Area Representative Agreement, or

Type of Fee	Amount	Due Date	Remarks
	incurred by us		any other rights that we may have as 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 your negligence or willful action or failure to act
Loss and Replacement of Manual	\$250	As incurred	If you lose or otherwise have to request the replacement of the Manual, then we can charge a replacement fee of \$250
Transfer Fee	\$1,500	Upon transfer	

Note 1 Unless this disclosure document specifically provides otherwise, all fees and costs payable to us are uniformly imposed and are non-refundable. These fees are uniformly imposed and collected.

**ITEM 7: ESTIMATED INITIAL INVESTMENT.**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial area representative fee (1)	<del>\$30,000</del> <u>\$80,000</u> - <del>\$150,000</del> <u>\$500,000</u>	Lump sum	Upon signing Area Representative Agreement	Us
Initial Franchise Fee for single Studio (2)	<del>\$35,000</del> - <u>Waived</u>	<del>Lump sum</del> <u>Waived</u>	<del>Upon execution of Franchise Agreement</del> <u>Waived</u>	<del>Us</del> <u>Waived</u>
Costs of complying with franchise laws applicable to the	\$1,000 - \$10,000	Lump sum	As incurred	Us, our designee, or third party

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
ARA Territory (3)				
Office Improvements and equipment (4)	\$1,000 - \$5,000	Per lease or invoice	Per your agreement with providers	Lessor, contractors
Travel, lodging and meals for initial training for Area Representative training (5)	\$1,500 - \$5,000	As incurred	As incurred	Suppliers
Professional fees	\$1,500 - \$5,000	As incurred	As incurred prior to opening	Third Parties
Insurance for Area Representative Business (6)	\$2,000 - \$4,000	Insurance company terms	Per insurance carrier	Insurance company
Real Estate (7)	\$4,800 - \$15,000	Lump sum or financed	Prior to opening	Your Landlord
Tenant Improvements/ Construction Costs (8)	<del>\$150,000</del> <u>175,000</u> - <u>0</u> - <del>\$187,500</del> <u>248,000</u> <u>0</u>	Lump sum or financed	Per your agreement with providers	<del>Required architectural firm,</del> General Contractor
Furniture, Fixtures, Equipment (9)	<del>\$24,160</del> <u>19,500</u> - <del>\$30,500</del> <u>25,000</u>	Lump sum or financed	As incurred prior to opening	Approved and Required Suppliers, General Contractor
Signage, Lobby Mural, Posters & Window Graphics for the Studio	<del>\$9,100</del> <u>7,250</u> - <del>\$15,250</del> <u>9,500</u>	Lump sum or financed	As incurred prior to opening	Approved and Required Suppliers
Training Opening Order and Opening Inventory (10)	\$6,000 - \$7,000	Vendor terms	Vendor terms	Approved and Required Suppliers
Miscellaneous Opening Costs (11)	\$600 - \$1,500	Lump sum	As incurred prior to opening	Third Parties
Licenses and Permits (12)	\$400 - \$1,000	Lump sum	As incurred prior to	Governmental Organizations,

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
			opening	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 for the Studio franchise business (13)	\$2,000 - <del>\$4,000</del> <u>\$3,000</u>	Insurance company terms	Per insurance carrier	Insurance company
Grand Opening Advertising (14)	\$7,500, - \$10,000	Lump sum	As incurred prior to opening	Third Parties
Travel and Living Expense while in Training for the Studio franchise business (15)	\$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 (16)	<del>\$41,000</del> <u>\$30,000</u> - <del>\$85,000</del> <u>\$65,000</u>	As incurred	As incurred	Us, Third Parties and Employees
TOTAL ESTIMATED INITIAL INVESTMENT	<del>\$317,760</del> <u>\$347,750</u> - <del>\$577,250</del> <u>\$925,000</u>	N/A		N/A

Note 1 The method for determining the range of the area representative fee for each ARA Territory is ~~equal to the product of \$0.03 times the number of people in the ARA Territory as we determine. The estimated low fee is \$30,000, based on a population of 1 million and the estimated high fee is \$150,000, for a population of 5 million~~described in Item 5 of this Disclosure Document.

Note 2 ~~This~~The standard fee ~~is~~ for the individual unit Studio we will require that you open is \$35,000. However, we waive this fee for that Studio. We include ~~this fee and~~the other expenses you will incur with regard to the individual unit Studio in this chart. Those fees and expenses also are detailed in the separate disclosure document for the unit Studio franchise offering.

Note 3 You must bear any direct costs you incur for your legally required compliance (as opposed to our compliance). We are responsible for

preparation, and if required, registration of the Franchise Disclosure Document.

Note 4 You must maintain an office, which may be in your home or at a separate location. As an Area Representative, we do not require that you use specific computer equipment, computer software, or equipment with requirements specific to the AR Business. You may be able to use an existing computer and software you already own, with your existing internet connectivity. The amount of these expenses varies with the geographic, demographic and physical location of your office and the sophistication of the equipment you select.

Note 5 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. We often will conduct the training at a 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.

Note 6 We can require that you obtain and maintain certain insurance coverages for the area representative business. Suggested coverages are: 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, workers' compensation, and any other insurance required under the terms of the lease or in accordance with your state's laws for the 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 business. Insurance premiums usually are due annually, so you this payment will be due each year.

Note 7 You will have real estate costs for the franchised Studio that we require to you operate. Real Estate costs vary considerably according to the type of Studio, fair market values in your area, your real estate interest (leasehold or ownership), location, and whether you or your landlord develops the location. Your costs can vary depending on the size of the site and municipal requirements. The Studio will usually occupy leased space, and will typically contain approximately 1,500 to 1,700 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 8 For the Studio we require you to operate, 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~~\$150 per square foot. 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 9 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 10 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 11 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 12 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 13 These insurance amounts relate to the franchised Studio we require you to operate. You are obligated under the separate Franchise Agreement for that Studio 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 14 These expenses relate to the franchised Studio we require you to operate. 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 15 You will incur all costs and expenses associated with the mandatory training program for the franchised Studio we will require you operate. 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 16 The estimate of additional funds is for an initial period of three (3) months. It 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 Area Representative relationship, including yours, will ever achieve positive cash flow or profits.~~ This estimate of additional funds also includes an estimate of the minimum funds needed only for opening expenses and working capital to operate the individual franchised Studio we

will require you to open 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. ~~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 an Area Representative franchise.

## **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.**

### Required Purchases

In the operation of the AR Business, we do not require that you purchase or lease goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the franchised AR Business from us, our designee, or suppliers approved by us, or under our specifications. In your operation of the Area Representative business, we will provide at no charge a physical or electronic copy of the franchise agreements, franchise disclosure documents, and certain other materials that you will be required to have printed or duplicated at a supplier of your choice. You will be required to make purchases or leases of goods and equipment for the franchised Studio you will be required to open and operate under a separate unit Franchise Agreement. Those requirements are detailed in a separate Disclosure Document.

Otherwise, you must establish and operate your AR Business in compliance with your Area Representative Agreement and the standards and specifications contained in our Area Representative Manual, which we provide to you (in hard copy or digital form at our discretion) in the form of one or more manuals, technical bulletins or other written materials (all of which we may modify) (collectively, the "AR Manual"). In our initial years of offering Area Representative franchises, the AR Manual may be the same manual as the Manual provided to unit franchises, with or without supplements specific to an operator of an AR Business.

### Required and Approved Suppliers

You must use only written materials, franchise agreements, franchise disclosure documents and sales and advertising materials, training manuals, and supplies that comply with our standards and specifications. We are not an approved supplier of these items, although we will provide you with either a physical or electronic copy of the franchise agreements, franchise disclosure documents and certain other materials that you will be required to have printed or duplicated at a supplier of your choice. No officer in our company owns an interest in any approved supplier. We expect that the costs of supplies purchased according to our standards and specifications represent less than 3% of your total purchases in connection with establishing your AR Business and less than 1% of your overall purchases in operating your AR Business.

With respect to standards and specifications applicable to an Area Representative franchisee, you must stop using and distributing franchise agreements, franchise disclosure documents, advertising, and training manuals immediately on notice from us if we determine that these items need to be updated or do not comply with applicable laws regulating their use. We may modify our standards and specifications with notice to you.

We do not maintain a list of approved suppliers or criteria for approving suppliers for AR Businesses. There currently are no items that you may obtain only from suppliers that we designate. Any supplier who can provide materials or supplies meeting our requirements is, in effect, an approved supplier. We typically take 10 days to approve or disapprove a supplier of these materials. You will bear all reasonable expenses that we incur in connection with our evaluation of a 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 supplier, and you must immediately stop purchasing from a disapproved supplier.

Neither we nor our affiliates will or may derive revenue or other material consideration from required purchases or leases by Area Representative franchisees. Suppliers do not make payments to us from purchases made by an Area Representative franchisee.

We have no purchasing or distribution cooperatives for AR Businesses. We do not negotiate purchase arrangements with suppliers for the benefit of Area Representative franchisees.

We do not provide material benefits to you for using any particular designated or approved supplier. There currently is no marketing or advertising fund established for the AR Business.

All marketing and promotion of franchises through your AR Business must conform to our standards and specifications. You must send us for prior approval samples of all advertising and promotional materials that you want to use that we have not prepared or previously approved.

Before you operate the AR Business, you must obtain the insurance coverage specified in the Area Representative Agreement and the AR Manual, if any. The policies must include, at a minimum, the insurance coverage and policy limits we specify, if any. We may change the coverage requirements and the amounts, in our discretion, and will advise you of the changes in the AR Manual or in writing. You may, after obtaining our written consent, elect to have reasonable deductibles under certain of the coverages.

**ITEM 9: FRANCHISEE’S OBLIGATIONS.**

**FRANCHISEE’S OBLIGATIONS  
(Area Representative)**

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

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	None	Not applicable
b. Pre-opening purchases/leases	Section 8	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Section 7	Items 7, 8 and 11
d. Initial and ongoing training	Sections 6, 8	Items 6 and 11
e. Opening	Section 2	Items 5 and 11
f. Fees	Section 4	Items 5, 6 and 7
g. Compliance with standards and policies/ Operating Manual	Recitals, Sections 2, 12	Items 11 and 16
h. Trademarks and proprietary information	Sections 9, 10	Items 13 and 14
i. Restrictions on products/services offered	Section 2	Items 8, 11 and 16
j. Warranty and customer service requirements	Sections 2, 5	Item 16
k. Territorial development and sales quotas	Section 2, Exhibit A	Item 12
l. Ongoing product/service purchases	Section 2	Items 8 and 11

m. Maintenance, appearance and remodeling requirements	None	Not applicable
n. Insurance	Section 12	Items 6 and 8
o. Advertising	Section 12	Items 6, 7 and 11
p. Indemnification	Section 18	Item 6
q. Owner's participation/ management / staffing	Section 6	Items 9, 11 and 15
r. Records and reports	Sections 12, 13	Item 6
s. Inspections and audits	Section 13	item 6
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 15	Items. 6 and 17
v. Post-termination	Section 17	Item 17
w. Non-competition covenants	Section 11, Exhibit C	Item 17
x. Dispute resolution	Section 20	Item 17
y. Other - Guarantee of franchisee obligations (note 1)	Section 19, Exhibit B	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 the AR Business, we will provide the following assistance and services:

- (1) Designate your ARA Territory (Area Representative Agreement, Section 2.1, See Exhibit A).
- (2) Lend you a copy of the Area Representative Manual or Confidential Operating Manual (Area Representative Agreement, Section 7.1). The total number of pages in the Manual is

42 pages. We will give you the opportunity to view the Manual before you buy the Area Representative franchise.

- (3) 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 provide an initial training program for 2 persons (including the Primary Owner) at no charge to you. If you wish to have additional persons trained, then we charge \$250 per day. (Area Representative Agreement, Sections 6.1, 6.2). The Primary Owner and any manager is required to attend and successfully complete the program. Although the responsibilities of an Area Representative are different from the responsibilities of a unit franchise owner, we believe it is important for the Area Representative to undergo the same initial training as the unit franchise owner so the Area Representative will understand the training for opening and operation of a Studio. However, in our discretion, we may decide to provide to an Area Representative only limited aspects of the training detailed below for Sugarists.

### 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"> <li>• Brand Knowledge</li> <li>• Memberships</li> <li>• Clocking in/out</li> <li>• Schedule view</li> <li>• Colors &amp;</li> </ul>	3	0	Franchisee’s Location or LAB Training studio in Birmingham, AL

<p>Symbols of appointments</p> <ul style="list-style-type: none"><li>• Booking appointments</li><li>• Checking clients out</li><li>• Adding retail to the ticket</li><li>• Adding tip to the ticket</li><li>• Selling memberships / packages</li><li>• Client Profile</li><li>• Reports (tips &amp; retail sales)</li><li>• Role play</li><li>• Sugarist daily checklists</li></ul>			
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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"> <li>• Introduction</li> <li>• Products and Uses</li> <li>• Hair and Skin</li> <li>• Microbiology and Safe Esthetics</li> <li>• Waxing Hair Removal Technique</li> </ul> Product Knowledge <ul style="list-style-type: none"> <li>• Full Circle Skin Conditioning</li> </ul> L.A. Bikini Service Protocols <ul style="list-style-type: none"> <li>• Room Setup</li> <li>• Pre-Service/Guest Consultation</li> <li>• Waxing Experience</li> <li>• Post-Service Consultation</li> </ul> Q&A and Review	3	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Practical Application <ul style="list-style-type: none"> <li>• Legs</li> <li>• Underarms</li> </ul>	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"> <li>• Review</li> </ul>	1	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Practical Application <ul style="list-style-type: none"> <li>• Open Lab</li> </ul>	0	7	Franchisee's Location or LAB Training studio in Birmingham, AL

<ul style="list-style-type: none"> <li>• Partial L.A. Bikini</li> <li>• L.A. Bikini</li> <li>• Underarms</li> <li>• Wax Application</li> </ul> Review Q&A			
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Day 4: Sugarist Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Product Review <ul style="list-style-type: none"> <li>• Full Circle Skin Conditioning Demo</li> <li>• Face</li> <li>• Fingers &amp; Toes</li> </ul>	2	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Practical Application <ul style="list-style-type: none"> <li>• Brows</li> <li>• Lip</li> <li>• Chin</li> <li>• L.A. Bikini</li> </ul> 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"> <li>• Open Lab</li> <li>• L.A. Bikini</li> <li>• Men's Facial Grooming               <ul style="list-style-type: none"> <li>○ Ears</li> <li>○ Nose</li> <li>○ Brow</li> <li>○ Nape of Neck</li> <li>○ Beard Shaping</li> </ul> </li> </ul>	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"> <li>• Open Lab</li> <li>• Men's L.A. Bikini</li> </ul>	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"> <li>• Brand Knowledge</li> <li>• Services</li> <li>• Retail Products</li> <li>• Memberships</li> <li>• Greeting Guests</li> <li>• Client FAQ's</li> <li>• Cancellation Policy</li> <li>• Open/Close Checklist</li> <li>• Non-Member Follow Up Log</li> </ul> Role play	2	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Manager Training <ul style="list-style-type: none"> <li>• Manager Training Guide</li> <li>• Manager Daily Checklist/Duties</li> <li>• Monthly Orders</li> <li>• Inventory</li> <li>• Staff Setup</li> <li>• Refunds/returns</li> </ul> Reports	2	0	Franchisee's Location or LAB Training studio in Birmingham, AL

Day 2: Front Office Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
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POS Software  Front Office Training <ul style="list-style-type: none"> <li>• Day 1 Review</li> <li>• MyTime Overview</li> <li>• Time Clock</li> <li>• Schedule</li> <li>• Colors &amp; symbols of appointments</li> <li>• Opening/Closing register</li> <li>• Booking Appointments</li> <li>• Checking Out Clients</li> <li>• Selling Memberships</li> <li>• Selling Packages</li> <li>• Discounts/Promos</li> <li>• Client Profile</li> <li>• Suspended Memberships</li> <li>• Reports</li> </ul>	3	0	Franchisee's Location or LAB Training studio in Birmingham, AL
Client Engagement <ul style="list-style-type: none"> <li>• Check Clients</li> <li>• Sell memberships</li> </ul>	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"> <li>• Check Clients</li> <li>• Sell memberships</li> </ul>	0	6.5	Franchisee's Location or LAB Training studio in Birmingham, AL
Manager Training <ul style="list-style-type: none"> <li>• Brand Attributes</li> <li>• Staffing/Hiring</li> <li>• L.A. Bikini Culture</li> </ul>	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

Day 4: Front Office Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
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POS Software Front Office Training <ul style="list-style-type: none"> <li>• Day 1 &amp; 2 Review</li> <li>• MyTime Review</li> <li>• Q&amp;A</li> <li>• Schedule</li> </ul>	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

For all training, the principal owner and any manager are required attendees. In our discretion, we may decide to provide to an Area Representative only limited aspects of the training detailed for Sugarists.

**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 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 or may be conducted by a person with management responsibilities at one of our affiliates.

After you have completed your training, you are required to assist the franchisor with training of franchisees in your ARA Territory. ~~After there are a minimum of three Studios in the ARA Territory, then the you will conduct the front desk and management training for additional Studios.~~

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 are not required to provide any other service or assistance to you before the opening of the AR Business.

## Other Assistance During the Operation of the AR Business

We must provide the following services and assistance after the opening of the AR Business:

- (1) We will use commercially reasonable good faith efforts to approve or disapprove applicants for unit franchises approved by you within 30 business days after the later of (a) receipt by us of a complete application, financial statement, and other materials regarding the applicant that we request by Company; or (b) the personal interview or other personal analysis of the Applicant's potential as a L.A. Bikini Franchisee. (Area Representative Agreement, Section 3.4)
- (2) We will provide consultation and advice to you in response to your requests about specific administrative and operating issues. (Area Representative Agreement, Section 7.2)
- (3) We will provide sample solicitation advertising to you for your use in marketing and promotion the L.A. Bikini unit franchise opportunity. (Area Representative Agreement, Section 7.2)
- (4) We will have prepared disclosure and contractual documents applicable to the solicitation of franchisees within the ARA Territory. In addition, we will provide to you a physical and/or electronic copy of those disclosure and contractual documents and brochures, advertising formats and related materials at no charge. (Area Representative Agreement, Sections 3.2 and 7.2).
- (5) We will pay to you, as an Area Representative, 1/2 of the initial franchise paid (and actually collected by us) by any franchisee within the ARA Territory who signs a unit franchise agreement and pays the initial franchise fee or renewal fee during the term of the Area Representative Agreement and 1/2 of all royalties received (and actually collected by us) during the term of the Area Representative Agreement by us from franchisees within the ARA Territory. Those sums to be paid to you are net of any monies owed to us for the Initial Area Marketing Fee (Area Representative Agreement, Sections 4 and 5).

The above payments to you are subject to the following:

- (a) No payment will be made to you unless and until we receive from the applicable franchisee the full amount that we are entitled to receive;
- (b) No payment will be made to you unless we and the applicable franchisee both execute and enter into our then-current unit franchise agreement;
- (c) No payment will be made to you if the sale for which the initial franchise fee is paid is a resale of an existing L.A. Bikini Studio or any interest in an existing L.A. Bikini Studio (unless the sale is a transfer governed by Section 5.5.1 of the Area Representative Agreement, in which case the appropriate Transfer Commission will be paid);

- (d) You have complied with all of your obligations under the Area Representative Agreement;
  - (e) No payment will be made to you (and no amounts will accrue), until and unless you are licensed or registered, or maintain a permit, as necessary in connection with your activities as an Area Representative; and our Franchise Disclosure Document has been updated or supplemented with respect to you, as an Area Representative, as necessary to comply with applicable law.
  - (f) No payment will be made to you with respect to any unit that has been transferred without full compliance with our transfer procedures (as set forth in the applicable franchise agreement), our transfer procedures have been fully complied with and we have received all documentation that we determine to be necessary;
  - (g) We may offset any funds owed to us by you (or your affiliates) against any funds owed to you by us.
- (6) We will provide ongoing training programs and other related activities regarding the operation of the AR Business as we may conduct for you or your personnel generally, which your personnel may be required to attend. Attendance at additional training is not required on a fixed schedule, but we may require it in our discretion. If we do require additional training, then we will not require that more than two (2) persons complete more than one (1) additional training program of up to three (3) days during any 12-month period. We will not charge you for this additional training. (Area Representative Agreement, Sections 6.1 and 6.2).

### Advertising and Promotion

While we conduct advertising (including by maintaining a website at [www.mylabikini.com](http://www.mylabikini.com)), we do not have any obligation to conduct advertising for the system or for your Area Representative business, either at a national, regional, or local level. We also do not have an obligation to spend any amount on advertising in your ARA Territory. 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 AR Business, 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. (Area Representative Agreement, Section 12.7.4).

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, 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.

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. If we decide to operate an Advertising Fund, it will be funded from fees paid by owners of unit franchised Studios. Your Area Representative business does not pay the fee, but you will pay that fee as an owner of a franchised Studio, as described in the separate disclosure document for franchised Studios. 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 from franchised Studio operators principally to solicit the new franchise sales that you will be soliciting as an Area Representative. We need not make expenditures for advertising or promotions for you as an Area Representative. We need not attempt to and are not required to ensure that you benefit directly or proportionately from any Advertising Fund. We are not obligated to maintain brand development fees into a separate, segregated account. Monies paid for the brand development fees paid by franchised Studio operators (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. Area Representatives are not obligated to participate in any other form of advertising fund.

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, whether Area Representatives will contribute in their capacity as an Area Representative, or administration of the cooperative. There are no governing documents available for the franchisee's review.

## Computer Requirements

As an Area Representative, we do not require that you buy or use electronic cash registers or computer systems for use in the AR Business. You are required to buy or use certain electronic cash registers or computer systems for use in the unit franchise Studio that you will operate. Those requirements are detailed in a separate Disclosure Document.

For the AR Business, we do not require that you use specific computer equipment, computer software, or equipment with specific requirements. You are required to establish and maintain continuous Internet access to our internet website 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, and to have systems capable of communicating by email, using the Internet, and operating typical business off-the-shelf software (such as the Microsoft Office suite or an Apple equivalent). Your internet access must be established and maintained in a manner that will enable you to download required information (without regard to size) and to otherwise interact with us, Franchisees, and other persons, in such manner as we may specify. You must maintain an e-mail address for purposes of communicating with us, Franchisees, and other persons. You must inform us and Franchisees of your e-mail address promptly upon the signing of the Area Representative Agreement and if your e-mail address is changed. You should check and respond to your e-mail on a daily basis (except for weekends); provided, however, that the timeliness of your e-mail review and responses must be consistent with reasonable business practices and must not cause us, other Area Representatives or Franchisees to be unable to communicate with you in a timely manner.

## Site Selection and Construction

We do not assist you in locating the site for or negotiating the purchase or lease for the site for your AR Business. We do not select or approve the site for your AR Business. You select the ARA Territory, with our approval, before you sign the Area Representative Agreement. The site for your AR Business does not have to be located in the ARA Territory. We do not provide assistance to you in conforming the AR Business site to local ordinances and building codes and obtaining required permits; constructing, remodeling, or decorating the premises; or providing for necessary equipment, signs, fixtures, opening inventory, and supplies.

## Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Area Representative Agreement and your commencement of operations in the AR Business is approximately 90 days, but that time could be longer depending on a number of factors. Factors affecting time include acquiring permits and licenses, compliance with local laws and regulations, attendance at and satisfactory completion of the Initial Training Program, and hiring staff.

## **ITEM 12: TERRITORY.**

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

We grant to you a territory in which you are permitted to solicit prospective franchisees for L.A. Bikini Studios to be located in the ARA Territory, perform certain site acquisition and development services in the ARA Territory for those prospective franchisees, and render support and other services to L.A. Bikini Studios located in the ARA Territory. We agree that we will not license any other person to perform those services in the ARA Territory we grant to you, except that we may engage third parties to perform certain services or perform those services ourselves or through an affiliate.

We and our affiliates may solicit prospective franchisees and grant franchises to persons who will own and/or operate Studios within and outside of the ARA Territory, on terms and conditions that we deem appropriate. In addition, we and our affiliates may market, directly or indirectly, products or services through other methods. In addition, we and our affiliates may own and/or operate Studios within or outside the ARA Territory. We may establish other franchises or company-owned outlets using trademarks other than the Marks.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The territorial rights granted to you under the Area Representative Agreement are not dependent on the achievement of a certain sales volume, market penetration or other contingency except as stated below. Also, except as stated below, the ARA Territory may not be altered before the Area Representative Agreement expires or terminates.

The Area Representative Agreement provides that you will use commercially reasonable efforts to meet the development schedule in that agreement. If you fail to meet the development schedule in the Area Representative Agreement, then we can terminate the Area Representative Agreement.

### **ITEM 13: TRADEMARKS.**

Under the Area Representative Agreement, we grant you the right and license to use the Marks solely in connection with the solicitation and recruitment of potential unit franchise operators, and in supporting the operation of unit franchisees. 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 rights in the Marks. Our primary Mark is the “**L.A. BIKINI**” name and 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**

<b>Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>	<b>Owner</b>
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 with 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 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 AR Manual and related materials, and advertising and promotional materials, although these materials have not been registered with the United States Copyright 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 AR Manual, any other manuals created for or accepted for use in the operation of the AR Business, 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 AR Manual, which is loaned to you for use, will remain our sole property and must be kept in a secure place at the location of the AR Business.

We may revise the contents of the AR 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 AR Manual is kept current at all times. In the event of any disputes as to the contents of the AR 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 AR Business and as we approve, you may not, during the term or at any time after the expiration or termination of the Area Representative 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 a Studio, the System, or the AR Business. 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 Area Representative 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 Area Representative 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 in the AR Business. 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 AR Business, unless otherwise permitted in writing by us. You further agree to devote the amount of your time, attention and best efforts to the performance of your duties under the Area Representative Agreement that is necessary for the proper and effective operation of the AR Business.

#### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.**

You must solicit prospective unit franchisees and help us provide certain services to unit franchisees in your ARA Territory in compliance with the Area Representative Agreement and AR Manual and you may perform only those services that we approve. You may solicit prospective franchisees only within the ARA Territory for persons or entities that intend to operate a unit franchise within the ARA Territory. You must comply with our qualifications and standards in advertising for, screening, and interviewing prospective franchisees, which include submitting applications, financial statements, and other materials we request regarding each

prospective franchisee. You may use disclosure documents only if we have approved them for use in the applicable jurisdiction. You are obligated to offer all the services we authorize under the Area Representative Agreement. We may change the services you may offer from time to time at our discretion. There is not a limit on our rights to make those changes. We impose no other restrictions in the Area Representative Agreement as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell.

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

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

**THE FRANCHISE RELATIONSHIP**

<b>Provision</b>	<b>Section in Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 15.1	10 years
b. Renewal or extension of the term	Section 15.2	If you satisfy the renewal requirements, you may renew for an unlimited number of successive additional terms of ten (10) years
c. Requirements for franchisee to renew or extend	Section 15.2	You must give us written notice of your election to renew the agreement. You must not be in default or have received more than 3 notices of default during any 12 month period during the term. You may be asked to sign a contract with materially different terms and conditions than your original contract, and you must pay a renewal fee equal to 10% of the Initial Area Marketing Fee that you originally paid. We can impose new commercially reasonable development quotas for the renewal term. The ARA Territory will remain the same. You must satisfy our then-current training requirements, execute a general release, and we may impose new development requirements for the renewal term
d. Termination by franchisee	Section 16.1	You can terminate for any reason on 180 days notice.

e. Termination by franchisor without cause	Not applicable	
f. Termination by franchisor with cause	Section 16.2	We can terminate you only if you default. The agreement contains a cross-default provision, meaning that a non-curable or uncured default of the Area Representative Agreement or any other agreement between us and you lets us terminate the Area Representative Agreement and all other agreements, including any Franchise Agreement.
g. "Cause" defined - curable defaults	Section 16.3	All defaults, other than those to which there is no cure period, may be cured within 30 days after notice of default is received. If there is an uncured default of the Area Representative Agreement, we can terminate all agreements between you and us, including any Franchise Agreement.
h. "Cause" defined - non-curable defaults	Section 16.2	If there is a non-curable default of the Area Representative Agreement, we can terminate all agreements between you and us, including any Franchise Agreement. Non-curable defaults include: failure to complete the initial training program; if you made a material misrepresentation or omission in your application for the franchise; violation of law pertaining to the sale of franchises; failure to meet your agreed upon development quotas; failure to pay fees due to us or failure to submit reports or financial statements within 10 days after notice; commit a default under any other agreement you have with us; bankruptcy or insolvency or liquidation; being convicted of or pleading no contest to a felony; surrender, transfer of control of, or an unauthorized transfer or attempt to do so; receives in a consecutive 24 month period 3 or more notices of default; misuses Confidential Information; abandons the AR Business; misuse of the Marks.
i. Franchisee's obligations on	Section 17.1	Obligations include immediately paying all sums due and owing to us, including any

termination/non-renewal		damages; cease using the Manual and deliver the Manual to us; cease use of advertising materials; cease use of Confidential Information and the Marks; deliver franchise sales leads, contacts, and other information and records about the offer and sale of franchises in the ARA Territory; cancel assumed names; cancel, transfer, or assign specifically dedicated telephone lines to us; not have any interest in a competitive business in the ARA Territory or within 25 miles of any L.A. Bikini Studio anywhere in the U.S.; maintain business records for 7 years; comply with non-competition and confidentiality obligations
j. Assignment of contract by franchisor	Section 14.1	We have an unlimited right to assign the Franchise Agreement.
k. "Transfer" by franchisee - defined	Section 14.2	Includes any transfer of your interest in the Area Representative Agreement or the AR Business
l. Franchisor approval of transfer by franchisee	Section 14.2	We have the right to approve all transfers and assignments but will not unreasonably withhold our consent.
m. Conditions for franchisor approval or transfer	Section 14.5	New area representative or principal owner qualifies, you are not in an uncured default under the Area Representative Agreement, transfer fee paid, all amounts owed by you are paid, training completed, general release signed, new Area Representative Agreement signed, right of first refusal to us provided.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.3	We can match the offer you receive for the sale of your AR Business
o. Franchisor's option to purchase franchisee's business	Section 15.5	We have the right to purchase your center or your assets upon the expiration or termination of the Area Representative Agreement.
p. Death or disability of	Section 14.8	The franchise can be transferred to a third

franchisee		party approved by us upon your death, disability or incapacity. Transfer conditions apply (see M above).
q. Non-competition covenants during the term of the franchise	Section 11.1	No direct or indirect involvement in the operation of any business selling products or services similar to those sold by an L.A. Bikini Studio or representing any business in offering or selling franchises
r. Non-competition covenants after the franchise is terminated or expires	Section 17.1.9	No direct or indirect involvement in a Competitive Business for two (2) years within the ARA Territory or 25 miles of any other L.A. Bikini center.
s. Modification of the agreement	Section 22.8	No modification unless in writing, although we can change Manual and list of Marks.
t. Integration/merger clause	Section 22.9	No statements or promises binding unless contained in the Area Representative Agreement.
u. Dispute resolution by arbitration or mediation	Section 20.3	You must resolve disputes with us by binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association before one arbitrator (or a panel of three arbitrators if the amount claimed is greater than \$100,000). 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. If we are not able to agree on Development Quotas for a renewal term, then you must resolve disputes with us by binding arbitration under the Expedited Commercial Arbitration Rules of the American Arbitration Association.
v. Choice of Forum	Section 20.3	Any arbitration must be in Birmingham, Alabama, subject to applicable state law.
w. Choice of Law	Section 20.4	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	Section 23	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 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 this 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.

We do not make any representations about an area representative’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 35244, Tel: 205-369-3895, clay@mylabikini.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
**Systemwide Area Representative 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
<del>Franchised Outlets</del>	<del>2018</del>	<del>1</del>	<del>2</del>	<del>1</del>
<u>Franchised Outlets</u>	2019	2	5	3
	2020	5	5	0
<del>Company Owned Outlets</del>	<del>2018</del> <u>2021</u>	<del>0</del> <u>5</u>	<del>0</del> <u>6</u>	<del>0</del> <u>1</u>
<u>Company Owned Outlets</u>	2019	0	0	0
	2020	0	0	0

<b>Total Outlets</b>	<del>2018</del> 2021	<del>4</del> 0	<del>2</del> 0	<del>1</del> 0
<b>Total Outlets</b>	2019	2	5	3
	2020	5	5	0
	2021	5	6	1

Table No. 2  
**Transfers of Area Representative Franchises from Area Representatives to New Owners  
(Other than the Franchisor)  
For years ~~2018~~2019 to ~~2020~~2021**

State	Year	Number of Transfers
Total (Note 1)	<del>2018</del> 2019	0
	<del>2019</del> 2020	0
	<del>2020</del> 2021	0

Table No. 3  
**Status of Area Representative Franchises 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
<del>Florida</del>	<del>2018</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<u>Florida</u>	2019	0	1	0	0	0	1
	2020	1	0	0	0	0	1
<del>Louisiana</del>	<del>2018</del> 2021	<del>0</del> 1	<del>1</del> 0	0	0	0	1
<u>Louisiana</u>	2019	0	<del>0</del> 1	0	0	0	1
	2020	<del>1</del>	0	0	0	0	1
<del>North Carolina</del>	<del>2018</del> 2021	<del>0</del> 1	0	0	0	0	<del>0</del> 1
<u>North Carolina</u>	2019	0	1	0	0	0	1
	2020	1	0	0	0	0	1
<del>Texas</del>	<del>2018</del> 2021	<del>0</del> 1	<del>1</del> 2	0	0	0	<del>0</del> 2
<u>Texas</u>	2019	0	1	0	0	0	1
	2020	1	0	0	0	0	1
<del>Utah</del>	<del>2018</del> 2021	<del>0</del> 1	<del>1</del> 0	0	0	0	1
<u>Utah</u>	2019	0	0	0	0	0	1
	2020	1	0	0	0	0	1
<b>Totals</b>	<del>2018</del> 2021	1	<del>1</del> 0	0	0	0	<del>1</del> 2
<u>Totals</u>	2019	2	3	0	0	0	5
	2020	5	0	0	0	0	5
	2021	5	1	0	0	0	6

Table No. 4  
**Status of Company-Owned Area Representative Franchises for Years ~~2018~~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	<del>2018</del> <u>2019</u>	0	0	0	0	0	0
	<del>2019</del> <u>2020</u>	0	0	0	0	0	0
	<del>2020</del> <u>2021</u>	0	0	0	0	0	0

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

State	Area Representative Agreements Signed But Outlet Not Opened	Projected New Franchised Area Representatives in the Next Fiscal Year	Projected New Company-Owned Area Representatives in the Next Fiscal Year
Florida	0	0	0
Louisiana	0	0	0
<u>New Jersey</u>	<u>0</u>	<u>2</u>	<u>0</u>
North Carolina	0	0	0
Texas	0	0	0
Utah	0	0	0
Total	0	0	0

List of Current Area Representatives

LAB Studio, Inc.  
c/o Joachim Hummel  
1914 E 9400 S #203  
Sandy, UT 84093  
Phone: 801-550-0416

Myer Enterprises, L.L.C.  
4626 Jamestown Ave.  
Suite 2  
Baton Rouge, LA 70808  
Phone: 225-547-8427

ME Devco NC, LTD.  
5433 Challisford Lane  
Charlotte, NC 28226-2625  
[Phone: 704-312-9997](tel:704-312-9997)

Jacksonville AR, LLC  
183 Water Oak Dr.  
Ponte Vedra Beach, FL 32082  
[Phone: 904-372-1509](tel:904-372-1509)

Lone Star – MDH Asset Management, Inc.  
7355 Meadow Breeze Drive  
San Antonio, TX 78227  
[Phone: 210-944-4415](tel:210-944-4415)

[GA LAB Development LLC](#)  
[6100 Fairview Road](#)  
[Suite 1201](#)  
[Charlotte, NC 28201](#)  
[Phone: 919-883-5949](tel:919-883-5949)

#### List of Former Area Representatives

We currently do not have any former area representatives.

We do not have any area representatives that voluntarily ceased to do business under any Area Representative Agreement.

We do not have any area representatives that have sold their franchise.

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 H are our audited, fiscal year-end financial statements for ~~2018~~, 2019, ~~and~~ 2020, [and 2021](#).

**ITEM 22: CONTRACTS.**

Exhibit C – Area Representative Agreement

Exhibit D -- Territory Location (Exhibit A to Area Representative Agreement)

Exhibit E – Guaranty (Exhibit B to Area Representative Agreement)

Exhibit F – Confidentiality and Non-Compete Agreement (Exhibit C to Area Representative Agreement)

Exhibit G – General Release

**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.

<b>Summary report:</b>	
<b>Litera® Change-Pro for Word 10.8.2.11 Document comparison done on 4/28/2022 11:31:12 AM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> FDD for Area Representative-2021 Model -Original before California for 2022 Comparisons.docx	
<b>Modified filename:</b> FDD for Area Representative-2022 Model 4871-3688-7321 v.2.docx	
<b>Changes:</b>	
Add	139
Delete	123
Move From	0
Move To	0
Table Insert	4
Table Delete	2
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>268</b>

# Exhibit A

## List of State Franchise Administrators

## STATE FRANCHISE ADMINISTRATORS

### CALIFORNIA

Department of ~~Business—Oversight~~[Financial Protection & Innovation](#)  
320 West 4<sup>th</sup> 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, 20<sup>th</sup> 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, 23<sup>rd</sup> 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  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, Rhode Island 02920

### SOUTH DAKOTA

South Dakota Department of Labor & Regulation  
Securities Regulation  
124 S. Euclid Avenue, 2<sup>nd</sup> 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

~~Commissioner of Business Oversight~~  
Department of ~~Business Oversight~~ Financial  
Protection & Innovation  
320 West 4<sup>th</sup> 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, 20<sup>th</sup> 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, 2<sup>nd</sup> Floor  
Pierre, South Dakota 57501

### VIRGINIA

Clerk, State Corporation Commission  
Tyler Building, 1<sup>st</sup> 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  
Area Representative Agreement

## AREA REPRESENTATIVE AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, ~~2020~~20\_\_\_\_, (the "Effective Date"), between LAB Holding Company, LLC, an Alabama limited liability company with its corporate headquarters located at 4441 Creekside Avenue, Suite 129, Hoover, Alabama 35444 ("Franchisor" or "Company") and \_\_\_\_\_, a \_\_\_\_\_ [corporation, limited liability company] with its principal address located at \_\_\_\_\_ ("Area Representative") For purposes of convenience the parties to this Agreement shall be referred to as the ("Parties").

### RECITALS

- A. Company is the exclusive United States licensee of the L.A. BIKINI name and service mark, as well as in other trademarks, service marks, logos and commercial symbols which identify, and are used in connection with the development, operation and marketing of L.A. Bikini studios (collectively referred to as the "Proprietary Marks")
- B. Company owns certain business methods for the development and operation of a L.A. Bikini studio. These business methods include, without limitation, distinctive signs and store design specifications; interior and exterior imaging requirements; uniform operating, merchandising and marketing methods; and confidential information and protectable business information. These business methods encompass all aspects of developing, operating and marketing L.A. Bikini studios and are referred to in this Agreement as the "L.A. Bikini System." A "L.A. Bikini Studio" is a retail franchise business operating under the Proprietary Marks and in accordance with the L.A. Bikini System. L.A. Bikini Studios offer body and facial hair removal.
- C. Company grants to persons, or to entities with which such individuals are affiliated, that are able to meet Company's qualifications and will undertake the necessary investment and effort, the right to solicit and recruit prospective franchisees, assist in site location and development, and fulfill the Company's ongoing duties to Franchisees who locate their L.A. Bikini Studio within a defined geographic area ("Area Representative Territory" or "Territory") subject to certain conditions. Area Representative has applied to acquire development rights upon the conditions stated in this Agreement.
- D. Area Representative desires to act as a special agent for Company within the Area Representative Territory for purposes of soliciting, recruiting and training new franchisees and facilitating operational assistance, and operating under the terms and conditions contained in this Agreement ("Area Representative Business" or "Business").
- E. Company is willing to appoint Area Representative as its special agent for these purposes under terms and conditions contained in this Agreement.

### TERMS AND CONDITIONS

NOW, THEREFORE, in consideration for the mutual covenants contained herein and for other good and valuable consideration the sum and sufficiency of which is hereby agreed, the Parties to this Agreement agree as follows:

**1. DEFINITIONS** In addition to capitalized terms in this Agreement which are defined elsewhere, the following terms are assigned these definitions:

1.1. “Accounting Period” means the specific period that Company designates from time to time in the Manual or otherwise in writing for purposes of a Franchisee’s financial reporting or payment obligations described in the Franchise Agreement. For example, an Accounting Period may, in Company’s discretion, be based on a calendar month, a quarterly financial calendar (which may, or may not be subdivided into blocks of weeks, e.g., 4 weeks, 4 weeks and 5 weeks), or a shorter or longer time period that Company selects in its discretion. Company may designate different Accounting Periods for purposes of paying fees and for discharging reporting obligations under the Franchise Agreement.

1.2. “Affiliate” includes each and every entity that controls, is controlled by, or is under common control with, a party to this Agreement. “Company’s Affiliates” means any Affiliate of Company.

1.3. “Bound Parties” mean each of the following persons: (i) the individual executing this Agreement as Area Representative; (ii) each officer, director, shareholder, member, manager, trustee or general partner of Area Representative and each one of Area Representative’s Affiliates; and (iii) each member of Area Representative’s or any of the foregoing individuals’ immediate family.

1.4. “Controlling Interest” means the possession, directly or indirectly, of power to direct, or cause a change in the direction of, the management and policies of a business entity. Company shall consider whether a transfer, either alone or together with all other previous, simultaneous or proposed transfers, would have the effect of transferring, in the aggregate, a sufficient number of the equity or voting interests of business entity to enable the purchaser or transferee to direct, or cause a change in the direction of, the management and policies of the business entity. For purposes of this Agreement, any person who qualifies as a Primary Owner shall be deemed to own a Controlling Interest.

1.5. “Franchise Agreement” means the forms of agreements (including, without limitation, the L.A. Bikini Franchise Agreement and any exhibits, riders, collateral assignments of lease or sublease, and personal guarantees) used by Company from time to time in granting franchises for the ownership and operation of L.A. Bikini Studios. Area Representative acknowledges that Area Representative will use Company’s then-current form of Franchise Agreement and that Company may from time to time modify or amend in any respect the form of Franchise Agreement and related agreements, including, without limitation, modifying fees paid by Franchisees.

1.6. “Franchisee” means any person, corporation, partnership, or other entity who has entered into a Franchise Agreement with Company.

1.7. “Manual” means the manuals, operations guides, technical bulletins, or other written materials covering the proper operating and marketing techniques of an Area Representative Business and standards and specifications for implementing the L.A. Bikini® System.

1.8. “Primary Owner” refers to any person who owns at least fifty-one percent (51%) of the ownership interests of an Area Representative that is a business entity.

1.9. “Proprietary Products” refers to all products and merchandise (i) manufactured by, or for, Company which a Franchisee may or must, use, offer, sell or promote in operating the L.A. Bikini Studio or (ii) bearing packaging or labels displaying any of the Proprietary Marks and promoted as a L.A. Bikini brand item.

1.10. “Sales Quarter” means each fiscal quarter (3-month period) during the Term, commencing on the first date of the month during which the Effective Date falls.

1.11. “Sales Year” means each fiscal year (12-month period) during the Term, commencing on the first date of the month during which the Effective Date falls.

1.12. “Function Expert” means a person with whom Company contracts to perform all or a portion of the Site Services or other pre-opening assistance for particular L.A. Bikini Studios to be located at sites within the Territory.

1.13. “Territory” is the geographical area described in the attached Exhibit A.

## 2. SCOPE OF APPOINTMENT

2.1. **Appointment of Area Representative/Scope of Operations.** Company hereby appoints Area Representative, and Area Representative hereby accepts appointment, as a special agent of Company in accordance with the terms and conditions of this Agreement, and only within the Territory, to: (1) solicit prospective franchisees for L.A. Bikini Studios to be located in the Territory (“Sales Services”); (2) perform certain site acquisition and development services (“Site Services”); and (3) render [training](#), [support](#), and other services (“Support Services”) to L.A. Bikini Studios located within the Territory, all on the further terms and conditions of this Agreement. Area Representative agrees that, during the Term, it will at all times faithfully, honestly and diligently perform its obligation hereunder and will continuously exert its best efforts to promote and enhance the development and operation of L.A. Bikini within the Territory. Area Representative shall at all times promote and preserve the integrity of the L.A. Bikini brand by ensuring that all Franchisees in the Territory comply with (a) the Manual, (b) all governmental regulations, including (type of businesses) safety laws and regulations, and (c) their respective Franchise Agreement(s), including accurate reporting of all sales.

2.2. **Rights and Limitations to Territory.** During the Term, Company and its Affiliates will not establish or license any other person to perform in the Territory the same duties which Area Representative is appointed to perform in this Agreement, except that (i) Company, Function

Experts, and its Affiliates may engage in and perform Sales Services, Site Services and Support Services on behalf of the Franchisees that will be located in the Territory (provided that Area Representative will not be obligated to provide Sales Services, Site Services, or Support Services to any Studio that is owned by Company or an Affiliate of Company), and for which the Area Representative shall act as the area representative for these Franchisees; and (ii) Company and its Affiliates retain all rights in the Territory described in Paragraph 2.3.

2.3. Reservation of Rights to Company. Area Representative acknowledges that the rights granted by this Agreement are nonexclusive, and that Company retains the absolute right (without compensation or obligation whatsoever to Area Representative unless specifically set forth):

2.3.1. to contract, at its sole cost and expense, and without deduction from any payments otherwise due to Area Representative hereunder, with Function Experts to allow Function Experts to perform Site and operational Services in the Territory. Company may retain, with consent of the Area Representative, the services of Function Experts and others with special experience in locating and negotiating access to certain venues to facilitate site selection in special sites.

Company reserves the right to determine when to use a Function Expert and who to select. If a Function Expert identifies a location that is accepted by Area Representative and ultimately becomes a franchised location entitling Function Expert to compensation, Area Representative shall be responsible for causing the lessor of the location to pay Function Expert its earned compensation.

2.3.2. to use, and to license others to use, the Proprietary Marks and the L.A. Bikini System for the operation of Area Representative Businesses outside of the Territory;

2.3.3. to solicit prospective franchisees, and to grant franchises to operate L.A. Bikini Stores at such locations outside of the Territory and on such terms and conditions as Company deems appropriate;

2.3.4. to provide Site Services and Support Services to Franchisees in the Territory;

2.3.5. to distribute within the Territory any and all Non-Proprietary Products and Proprietary Products using the Proprietary Marks, through all channels of trade and distribution, regardless of whether (1) the channel of distribution now exists or is developed after the Effective Date, or (2) the Non-Proprietary Products or Proprietary Products are now, or in the future, authorized for sale at L.A. Bikini Studios. As examples of Company's reserved rights, and not by limitation, Company may directly or indirectly, itself or through an Affiliate of Company, franchisee, assignee, agent and others, within or outside the Territory: (i) produce, license, distribute, market and sell products and services of any kind, including, without limitation, Proprietary Products, through other retail and wholesale channels of distribution, including, without limitation, by means of electronic communication, the World Wide Web, mail order catalogues, direct mail advertising, and comparable methods that solicit business from customers by means not requiring a physical transaction at a retail or wholesale location; (ii)

produce, license, distribute, market and sell products and services of any kind, including, without limitation, Proprietary Products, from wholesale and retail (type of businesses) stores owned by third parties that are not licensed to do business under the Proprietary Marks; or (iii) operate other kinds of businesses that do not feature L.A. Bikini products, Proprietary Products, or other products and services similar to those now, or in the future, featured at L.A. Bikini Studios.

### **3. FRANCHISE SALES PROCEDURES**

3.1. Development Quotas. Area Representative agrees use commercially reasonable efforts to comply with the development quotas set forth in Exhibit A to this Agreement (“Development Quotas”). The development schedule will be extended for any period of time during which Company does not have a valid and compliant franchise disclosure document or during which any required registration is not in effect. In determining whether Area Representative has used commercially reasonable efforts to meet the Development Quotas, Company will take into account any unforeseen market or macro-economic conditions, permitting or licensing issues, availability of real estate for lease or purchase by prospective franchisees, the availability and costs of financing for prospective franchisees, regulatory issues with respect to the products and services of this franchise system and any other circumstance beyond Area Representative’s control, which may adversely impact Development Quotas.

3.2. Franchise Registration and Disclosure.

3.2.1. Neither Area Representative nor any employee or representative of Area Representative shall solicit prospective franchisees of L.A. Bikini Studios (i) until Company has prepared a Franchise Disclosure Document (“FDD”) in accordance with all applicable laws in the Territory, registered to sell franchises in any jurisdictions requiring registration in the Territory, and provided Area Representative with a complete copy of its currently effective FDD, or (ii) if Company notifies Area Representative that its FDD or registration are no longer effective or must be amended or renewed in order to remain effective. Area Representative and its employees shall at all times comply with all federal and state laws applicable in the Territory concerning the disclosure of any information to prospective franchisees. If Area Representative’s activities pursuant to this Agreement require that Area Representative or Company prepare, amend, register, or file information or any disclosure or other documents, all requisite offering circulars, ancillary documents, and registration applications shall be prepared and filed by Company or its designee, and registration secured, before Area Representative may solicit prospective franchisees of L.A. Bikini Studios. As long as Area Representative complies with its obligations under this Paragraph 3.2, Company shall bear the cost to prepare, amend, register or file information or documents to enable Area Representative to solicit prospective franchisees in the Territory. In particular, Area Representative shall:

3.2.1.1 prepare and forward to Company verified financial statements of Area Representative in such form and for such periods as shall be designated by Company, including audited financial statements, if necessary and appropriate to comply with applicable legal disclosure, filing, or other legal requirements;

3.2.1.2 promptly provide all information reasonably required by Company to prepare all requisite offering circulars and ancillary documents for the offering of franchises throughout Territory; and

3.2.1.3 execute all documents required by Company for the purpose of registering Area Representative and Company to offer franchises or as Company's sales agent throughout the Territory.

3.2.2. Area Representative agrees promptly to review all information pertaining to Area Representative which Company prepares for purposes of complying with legal requirements for selling franchises in the Territory and verify its accuracy if so requested by Company.

3.2.3. Area Representative acknowledges that Company and its Affiliates and designees shall not be liable to Area Representative for any errors or omissions in the content, or delays in the preparation or registration of Company's FDD; provided, however, if Company does not have a currently effective FDD during any part of a Sales Year or longer period, the parties shall adjust the Development Quotas in proportion to the length of time for which the FDD is not currently effective in the manner set forth in Exhibit A.

### 3.3. Recruiting and Screening.

3.3.1. Area Representative shall be responsible for recruiting, screening, and interviewing prospects for L.A. Bikini franchises within the Territory. Recruiting duties shall include, without limitation, engaging in local advertising for prospective franchisees. Area Representative shall provide prospective franchisees with written information regarding a L.A. Bikini franchise approved by Company or communicate information regarding L.A. Bikini Studio franchises via the telephone, face-to-face meetings, or visits at other L.A. Bikini Studios within the Territory.

3.3.2. Area Representative shall submit each qualified applicant ("Applicant") for a L.A. Bikini Studio franchise to Company for approval. If requested by Company, Area Representative shall conduct, at the sole cost of Company, a comprehensive background check and verification of the Applicant's information, which shall include but not be limited to a review of the Applicant's credit, DMV (driving) records, criminal records, civil court records, and history of workers compensation claims. Copies of all records and finding shall be submitted to Company at the time the Applicant is submitted to Company for review and approval. Area Representative further agrees that all Applicants submitted to Company by Area Representative, if an individual, or Applicant's Primary Owners, if the Applicant is not an individual, shall be individuals who are of good character, have adequate financial resources, and meet Company's criteria for Franchisees. Additionally, Company may require that all Applicants must reside, or maintain a principal place of business, in the Territory, or that the Applicant provide assurances Company deems suitable that the Applicant will reside or maintain a principal place of business in the Territory before Company executes a Franchise Agreement with the Applicant.

3.3.3. Each application for a franchise received by Area Representative shall be submitted to Company with all information respecting the Applicant, its owners, if applicable, the Applicant's proposed franchise location, if known, and all other information then customarily

required by Company concerning Applicants, including such financial statements and other information as Company may reasonably require. Area Representative shall assist the Applicant in preparing such financial reports and other information.

#### 3.4. Company's Approval of Prospective Franchisees.

3.4.1. By delivery of written notice to Area Representative, Company shall approve or disapprove Applicants to become L.A. Bikini Franchisees. Company agrees to use commercially reasonable good faith efforts to deliver such notification to Area Representative within ten (10) business days after the later of: (a) receipt by Company of a complete application, financial statement, and other materials regarding the Applicant requested by Company; or (b) the personal interview or other personal analysis of the Applicant's potential as a L.A. Bikini Franchisee by, or on behalf of, Company, if Company elects to conduct (or use a third party service to conduct) a personal interview or other screening analysis.

3.4.2. Company shall determine whether the Applicant possesses sufficient financial and managerial capability and meets the other criteria then utilized by Company in the grant of franchises. Company may refuse to grant a franchise to an Applicant for any reason if it so chooses even if the Applicant satisfies Company's current criteria.

3.4.3. The grant of the franchise shall be effected only upon and after the full execution of the then-current Franchise Agreement by Company and the Applicant.

### **4. PAYMENTS TO FRANCHISOR**

4.1. Initial Area Marketing Fee. The initial area marketing fee ("Initial Area Marketing Fee") payable to Company by Area Representative in consideration for Area Representative's appointment as the Area Representative in the Territory shall be calculated and set forth as follows: for each territory granted to Area Representative it shall pay to the Franchisor the Initial Area Marketing Fee set forth in Exhibit A to this Agreement. All such Initial Marketing Fees shall be payable in accord with the schedule set forth on Exhibit A to this Agreement. When a payment is due, the payment will be paid in full by certified funds or wire transfer. Except as provided in this Agreement, Area Representative shall not be entitled to a refund of any portion of the Initial Area Marketing Fee(s) due to subsequent population changes in the Territory or for any other reason.

### **5. PAYMENTS TO AREA REPRESENTATIVE**

5.1. Sales Services Commissions and Conditions of Payment. During the Term, Area Representative Director shall be paid a commission, as set forth in this Section, based on a percentage of initial franchise fees and renewal fees paid by Franchisees for the purchase of L.A. Bikini franchises to be located within the Territory or to renew an existing franchise for a L.A. Bikini Studio ("Sales Services Commission"), subject to the following conditions ("Franchise Sales Conditions"):

5.1.1. The prospective franchisee and Company must execute and enter into the Company's then-current Franchise Agreement;

5.1.2. Company must actually receive the initial franchise fee or renewal fee payable in connection with the franchise sale or renewal. Company shall not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to Company;

5.1.3. The sale for which an initial franchise fee is paid is not a resale of any existing L.A. Bikini Studio or any interest in such a store regardless of whether the L.A. Bikini Studio is owned by Company, an Affiliate of Company or another franchisee (any transfer of a franchise is subject to Section 5.5.1, which addresses transfers and payment of a Transfer Commission); and

5.1.4. Area Representative has complied with all of its other obligations under this Agreement with respect to the sale and has verified the same to Company in writing in a form prescribed by Company.

5.1.5. Company shall promptly turn over sales leads that Company receives from prospects looking to acquire a L.A. Bikini Studio. Company may, with the written consent of Area Representative, recruit prospective franchisees and sell L.A. Bikini franchises for locations in the Territory. The Parties agree that Area Representative shall be entitled to receive a Sales Services Commission on all L.A. Bikini Studio franchises sold by either Company or Area Representative for a location in the Territory, even if Company recruits the prospect or otherwise is the procuring cause for the sale.

5.1.6. For avoidance of doubt, Area Representative shall be entitled to receive a Sales Services Commission on all initial franchise fees or renewal fees which are paid under a Franchise Agreement for a L.A. Bikini franchise for which either Area Representative, or any Primary Owner, is the franchisee or Primary Owner.

## 5.2. Sales Services Commission Payments.

5.2.1. Except as otherwise provided in this Agreement (including Exhibit A relating to payment of portions of the Initial Area Marketing Fee via withholding of a portion of the Sales Services Commission), the Sales Services Commission shall be an amount equal to fifty percent (50%) of the total initial franchise fees or renewal fees set forth in the then governing L.A. Bikini franchise and paid to Company. For avoidance of doubt the initial franchise fees shall not include any periodic flat fees or training fees that Franchisee must pay to the Company pursuant to its Franchise Agreement. The Sales Commission Fee will be payable to Area Representative within thirty (30) days after the Franchise Sales Conditions have been fulfilled.

5.2.2. Company may, with the written consent of Area Representative, undertake a referral program (for other franchisee or area representative under a referral program which Company administers) and/or retain the services of independently commissioned franchise brokers to whom it may pay commissions or referral fees. The Sales Services Commission payable to Area Representative on initial franchise fees shall be reduced by the amount, if any, which with the

consent of Area Representative, Company pays as a commission or referral fee to any such person for acting as the procuring cause of a new franchise sale for a location in the Territory.

5.3. Procuring Cause. For purposes of this Agreement, Company shall reasonably and in good faith determine and identify the procuring cause of all sales leads resulting in the sale of a L.A. Bikini franchise.

5.4. Site Services.

5.4.1. Area Representative shall provide the Site Services described in Paragraph ~~8.5~~8.6 without further compensation or consideration from Company.

5.4.2. Company shall have the exclusive right to employ a Function Expert to provide Site Services in the Territory. Franchisees shall have no liability for any fees payable to the Function Expert.

5.4.3. If Area Representative locates a person who is interested in acting as a Function Expert, Area Representative may present such person to Company for its approval along with the terms under which such person is to be retained. Company shall have thirty (30) days to approve or reject, in its sole discretion, such person or the terms under which such person is to be retained. Area Representative shall not retain or work with such person unless and until Company provides its written approval.

5.5. Commissions on Transfers of Franchises.

5.5.1. If, during the Term, a Franchisee transfers a franchise (as the term transfer is defined in Franchisee's Franchise Agreement), then, except as otherwise provided in this paragraph, Area Representative will be paid a transfer commission (the "Transfer Commission") in the amount of fifty percent (50%) of the initial fees and transfer fees received by Company in connection with the transfer, payable within thirty (30) days after the transferee assumes ownership, possession and operation of L.A. Bikini franchise and the other transfer conditions set forth in the Franchisee's Franchise Agreement have been completed; provided that Company shall not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to Company. To earn the foregoing Transfer Commission, Area Representative must perform all Area Representative duties set forth in the Manual. Area Representative shall not be entitled to any commission, including a Transfer Commission, in connection with Qualified Transfers by Franchisees.

5.5.2. Area Representative shall not be entitled to receive a Transfer Commission on the transfer of any existing L.A. Bikini franchise for which either Area Representative, or any Primary Owner, is the transferee or primary Owner of the transferee.

5.6. Commissions on Royalty Fees. Company shall pay to Area Representative, within thirty (30) days after the end of each Accounting Period as determined by Company, an amount equal to fifty percent (50%) of the Royalty Fees ("Royalty Fees" as that term is defined in the Franchise Agreement) actually received by Company from each Franchisee located in the Territory pursuant to their Franchise Agreement. For avoidance of doubt Royalty Fees shall not

include flat fees, pass-through fees, or advertising contributions. (For purposes of this Agreement, the fifty percent (50%) commission on Royalty Fees actually received by the Company is referred to as the “Royalty Commission.”) Notwithstanding the foregoing:

5.6.1. Area Representative shall only be entitled to receive a Royalty Commission from the Royalty Fees paid by a Franchisee if Area Representative has provided to the Franchisee all of the Support Services described in this Agreement in a timely manner in accordance with Company’s standards, and the Company has received such royalty fees from the applicable Franchisee.

5.6.2. Area Representative shall not be entitled to share in or receive any Royalty Commissions on account of Royalty Fees paid by Franchisees in the Territory before the time Area Representative completes the initial training program and begins performing Support Services on a full-time basis;

5.6.3. For avoidance of doubt, Area Representative shall be entitled to receive a Royalty Commission on Royalty Fees which are paid by Franchisees on behalf of all L.A. Bikini studios located within the Territory;

5.7. Commissions After Termination. All payments under this Paragraph 5 shall immediately and permanently cease after the expiration or termination of this Agreement, although Area Representative shall receive all amounts which have been earned by, and accrued to, Area Representative as of the effective date of expiration termination.

5.8. Application of Payments.

5.8.1. Company’s payments to Area Representative shall be based on amounts actually collected from Franchisees, not on payments accrued, due, or owing. Area Representative understands and agrees that Company’s obligation to pay Royalty Commissions is only with respect to Royalty Fees that Company actually receives and Company has no duty to initiate collection action against a delinquent Franchisee.

5.8.2. If the Franchise Agreement for a L.A. Bikini franchise within the Territory terminates under circumstances entitling Franchisee to the return of all or part of the initial franchise fee or Royalty Fees (or in the event that Company becomes legally obligated or decides for any reason to return any portion of the initial franchise fee or Royalty Fees), Company may deduct the portion of the amount to be returned to Franchisee in the same proportion as Area Representative shared in the initial franchise fee or Royalty Fees from any future amounts owed Area Representative.

5.8.3. Company may apply any payments received from a Franchisee to any past due indebtedness of that Franchisee for Royalty Fees, advertising contributions, purchases from Company or its Affiliates, interest, or any other indebtedness of that Franchisee that may be owed to Company or its Affiliates regardless of how the Franchisee may denominate its payment. To the extent that such payments are applied to a Franchisee’s overdue Royalty Fee payments, Area Representative shall be entitled to its pro rata share of such payments, less its

pro rata share of any costs of collection which Company has paid to third parties in order to collect the Royalty Fees.

5.9. Setoffs. Area Representative shall not be allowed to set off amounts owed to Company under this Agreement against any monies owed to Area Representative by Company, and Area Representative hereby waives any right of set off. Company shall not be allowed to set off amounts owed to Area Representative under this Agreement against any monies owed to Company by Area Representative, and Company hereby waives any right to set off.

## 6. TRAINING ASSISTANCE

6.1. Area Representative Training. Within ninety (90) days after the Effective Date and before Area Representative may begin recruiting prospective franchisees, Company shall provide and Area Representative shall satisfactorily complete, an initial training program for area representatives consisting of up to five (5) days of instruction at the Company's corporate offices or other location selected by the Company, at a mutually scheduled time. Company reserves the right to modify Company's initial training program for area representatives at any time without notice, and to determine the content, duration and manner of conducting the initial training program in Company's sole discretion.

6.1.1. The initial training program shall be provided only once within the first one hundred twenty (120) days after Effective Date. It shall be provided to two (2) persons without additional charge beyond the training fee described in this Agreement, provided both persons attend the same sessions. Area Representative, its Primary Owner, or a senior operations employee acceptable to Company must be enrolled in the initial training program. If, at the end of initial training program, Area Representative, Area Representative's Primary Owner, or the senior operations employee fails to demonstrate the requisite competency to perform Area Representative's duties described in this Agreement in Company's judgment, based on Company's sole subjective evaluation, Company may terminate this Agreement and will refund fifty percent (50%) of the Initial Area Marketing Fee paid by Area Representative.

6.1.2. Area Representative may enroll additional trainees in the initial training program under conditions specified in this Agreement. Company shall not be obligated to provide an initial training program in connection with Area Representative's exercise of any renewal option.

6.1.3. During the Term, each person who, in Company's judgment, successfully completes Company's initial training program shall be designated a Certified Manager of the Area Representative, signifying that the person is qualified to train Area Representative's field supervisors and other employees. At all times during the Term, in Franchisor's reasonable discretion, Area Representative will employ at least one Certified Manager. The person employed as the Certified Manager may be the Primary Owner of the Area Representative. Notwithstanding Company's designation, Company shall have no responsibility for the performance of Area Representative's employees. Company may change the criteria for designation as a Certified Manager at any time effective upon notice to Area Representative. Company's notice shall specify the additional training and other requirements applicable to new Certified Managers which existing Certified Managers must complete to maintain their

designation as a Certified Manager. Company shall allow existing Certified Managers ninety (90) days after the new criteria become effective in which to satisfy the additional training and other requirements without suffering a lapse in their designation as a Certified Manager.

## 6.2. Additional Training.

6.2.1. All newly hired and replacement management-level personnel shall demonstrate requisite competency to perform Area Representative's duties in Company's judgment, based on Company's sole subjective evaluation.

6.2.2. Area Representative may request permission (i) to send additional persons to the initial training program furnished to Area Representative, Area Representative's Primary Owner or senior operations employee, and (ii) to enroll its employees in other initial training program sessions and to receive additional training during the Term. Area Representative understands and agrees that all additional training shall be at mutually scheduled times, subject to space availability and Company's other training commitments, and that, as a condition to receiving additional training, Area Representative must pay Company's then-current training fees stated in the Manual, which is currently \$250 per day. In connection with any additional on-site instruction, Area Representative shall (x) pay Company any then-current per diem fee set forth in the Manual, and (y) also reimburse Company for its reasonable travel-related expenses, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges.

6.2.3. Company reserves the right to require that any Primary Owner, senior management, Certified Managers or other designated personnel attend specified additional training programs; provided, however, Company shall not require that more than two (2) persons designated by Company complete more than one (1) additional training program of up to three (3) days during any 12-month period. Company will not charge Area Representative for additional training.

6.2.4. If Company is required by this Agreement to provide training in connection with a transfer by Area Representative, Area Representative shall remain responsible for operation and management of the Area Representative Business until the persons required to complete training on the proposed transferee's behalf demonstrate the requisite competency to perform the duties of an area representative in Company's judgment, based on Company's sole subjective evaluation.

## 6.3. Additional Provisions.

6.3.1. Company shall schedule all training classes according to its training schedule, subject to space availability.

6.3.2. Area Representative understands and agrees that (i) it is solely responsible for all personal expenses that it and its employees incur to attend any and all training provided by Company, including, without limitation, costs for air and ground transportation, lodging, meals, personal expenses and salaries, and (ii) that Company shall pay no compensation for any services performed by trainees in connection with any training program provided by Company.

## 7. FRANCHISOR'S OPERATING ASSISTANCE

### 7.1. Area Representative Manual.

7.1.1. Company will loan Area Representative one copy of its current Area Representative Manual or the Company's Operations Manual, as the case may be, ("Manual") for as long as this Agreement is in effect, subject to the following conditions. The Manual is, and at all times shall remain, Company's sole property and shall promptly be returned to Company upon expiration, termination or an assignment of this Agreement.

7.1.2. Area Representative shall treat all information contained in the Manual(s) as confidential, and shall use all reasonable efforts to keep the information secret. Area Representative shall not, without Company's prior written consent, copy, duplicate, record or otherwise reproduce the Manual(s), in whole or in part, or otherwise make it available to any person not required to have access to its contents in order to carry out his or her employment functions. At all times that the Manual(s) is not in use by authorized personnel, Area Representative shall keep the Manual in a locked receptacle at Area Representative's primary place of business.

7.1.3. The Manual contains both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the System and Area Representative's obligations under this Agreement. The Manual, as modified by Company from time to time, is an integral part of this Agreement and all provisions now or hereafter contained in the Manual or otherwise communicated to Area Representative in writing are expressly incorporated in this Agreement by this reference and made a part hereof. Area Representative shall fully comply with all mandatory requirements now or hereafter included in the Manual, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

7.1.4. Company reserves the right to modify the Manual from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the L.A. Bikini System or in the procedures and methods applicable to conducting Sales Services, Site Services or Support Services. Company agrees that no provision of the Manual will materially conflict with the Area Representative's obligations pursuant to this Agreement, and the Manual may not impose new or different fees, charges, or expenses, alter the payments to Franchisor or payments to Area Representative, or materially change the supervision and training responsibilities of Area Representative as set forth in this Agreement. All revisions will be reflected in written supplements to the Manual or in other written (including electronic) communications delivered to Area Representative, and each supplement or communication shall become effective upon receipt or on the later date specified in the writing. Area Representative shall insert any updated pages in its copy of the Manual upon receipt and remove superseded pages and return them to Company within five (5) days following receipt. Area Representative shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Company.

7.1.5. Area Representative shall promptly notify Company if any volume or part of its copy of the Manual is lost or destroyed for any reason. Provided (i) the loss is not the result of Area Representative's breach of its duty to keep the contents of the Manual confidential, and (ii) Area Representative is not otherwise in default under this Agreement, Company shall furnish Area Representative with the needed replacement copy or portion of the current Manual. Area Representative shall pay Company a replacement Manual fee of \$250, per volume, plus all shipping expenses, in full within ten (10) days following receipt of invoice. If either (i) or (ii) is not satisfied, Company may terminate this Agreement on account of the loss or destruction of the Manual or any portion thereof.

## 7.2. Operating Assistance.

Company will make available the following services during the Term, in its discretion, without charge:

7.2.1. Regular consultation and advice to Area Representative in response to Area Representative's inquiries about specific administrative and operating issues which Area Representative brings to Company's attention including, without limitation, mandatory and recommended specifications, standards and operating procedures of the L.A. Bikini System or in the procedures and methods applicable to conducting Sales Services, Site Services or Support Services. Company also will review any business plan submitted to Company by Area Representative pursuant to Section 8.2 of this Agreement and will provide feedback on the plan within thirty (30) days after submission of the plan. Company shall have absolute discretion to determine the method for communicating the consultation or advice, which may differ from the methods used for other area representatives. For example and without limitation, consultation and advice may be provided by telephone, in writing (in which case Company shall determine the method for delivering such writing (i.e., facsimile or mail), electronically, in person, or by other means; and

7.2.2. Sample Solicitation Advertising for Area Representative's local use; provided, however, Company may impose a reasonable charge if Area Representative requests, and Company agrees to furnish, multiple copies of any Solicitation Advertising or to customize any Solicitation Advertising that Company creates. Area Representative understands and agrees that Company shall not be obligated to supply copies or customizing services.

## **8. AREA REPRESENTATIVE'S OBLIGATIONS**

8.1. Full-Time and Attention. Area Representative's Business shall at all times be under the direct, day-to-day full-time supervision of Area Representative or at least one Primary Owner, who shall devote his or her full productive time to operating the Area Representative Business.

8.2. Business Plan. At the written request of Company and no more frequently than prior to the conclusion of its initial training and annually thereafter, Area Representative shall submit to Company a plan related to the development of Area Representative's territory with financial projections.

8.3. Hiring and Training of Employees of Area Representative. Area Representative shall hire all of the Area Representative's employees, shall be exclusively responsible for the terms of their employment and compensation, and shall implement a training program for employees to ensure their compliance with Company's requirements; provided that Area Representative shall not employ any person who Company determines is unfit to represent Company in marketing L.A. Bikini Studio franchises or furnishing services to Franchisees.

8.4. Commencement of Business. Unless otherwise agreed to in writing by Company and Area Representative, the individuals in this Agreement must satisfactorily complete the initial training program and Area Representative must begin operation of its L.A. Bikini Area Representative Business within ninety (90) days after the Effective Date. Within this 90-day period, Area Representative must, at Area Representative's expense, purchase or otherwise obtain for use in connection with the Business (i) computer hardware and software that comply with the standards and specifications of Company; (ii) suitable office equipment to operate the Business; (iii) business cards and stationery; and (iv) any other items required by the Area Representative Manual. Company will extend the time within which Area Representative must commence operations for a reasonable period of time, in the event that factors beyond Area Representative's reasonable control prevent Area Representative from meeting this schedule, so long as Area Representative has made reasonable and continuing efforts to comply and Area Representative requests in writing an extension of time in which to have its Business established before the period lapses.

8.5. Sales Services. Area Representative shall solicit and identify prospective franchisees for L.A. Bikini Studios to be located within the Territory in accordance with the requirements and procedures set forth in the Manual.

8.6. Site Services. Area Representative shall perform the following Site Services on behalf of Company with respect to Franchisees of L.A. Bikini Studios located in the Territory (unless Company indicates otherwise with respect to Franchisees for whom Company or Company's designated Function Expert will perform such services):

8.6.1. Assist with studio location selection for each Franchisee, which shall consist of providing each Franchisee with Company's site selection criteria and assisting each Franchisee to complete a site submittal package for Company's approval, containing such demographic, commercial, and other information as Company may reasonably require, for each location at which Franchisee proposes to establish and operate a L.A. Bikini Studio.

8.6.2. If a Franchisee requests lease negotiation services, provide guidance to the Franchisee in negotiating the business terms of a letter of intent or business terms for a lease for the approved site, which guidance may in appropriate circumstances be limited to interacting with any real estate agent retained by Franchisee, provided that Area Representative is not expected to or permitted to provide legal advice;

8.6.3. Provide guidance to Franchisee with respect to assisting Franchisee with coordinating the work of contractors and architects with respect to the development of each L.A. Bikini Studio. Company reserves the right to require that Area Representative, at Area Representative's

cost, use the specific software applications, tracking systems or other similar means which Company may, from time to time, designate or specify to manage the process of developing each Studio, from selection of potential sites through the completion of construction and Studio opening obligations. Area Representative shall ensure that all contractors and architects hired are duly licensed and in good standing in the Territory and maintain the required levels of insurance;

8.6.4. Provide guidance to Franchisee with respect to procuring the building materials, fixtures, furniture and decorating items for the build out, interior design, layout, floor plan, signs, designs, color, and decor of the L.A. Bikini Studio in the manner required by Company; and

8.6.5. Submit completed forms and reports to Company as prescribed by Company from time to time, including site selection and pre-opening assistance forms and reports related to leases and construction.

8.7. Pre-Opening and Opening Support Services: Area Representative shall perform the following Pre-Opening and Opening Support Services on behalf of Company:

8.7.1. Provide advice to Franchisee regarding the standards and specifications for the equipment, supplies, and materials used in, and the menu items offered for sale by, the L.A. Bikini Studio and provide advice regarding selecting suppliers for purchasing items used in connection with the L.A. Bikini Studio;

8.7.2. Subject to the proviso in this section, provide Company's initial training and on-site assistance program to each Franchisee and the Franchisee's required attendees in accordance with Company's then-current standards at an operating L.A. Bikini Studio in the Territory or at such alternate location as Company may designate; provided however, that Company will provide all initial training (front desk, management, and sugarists) to the ~~first three Franchises sold in the Territory, and for later Franchisees, will continue to provide the initial training for sugarists (with~~ franchise operation that you, an affiliate, or an entity controlled by, controlling, or under common control with the Area Representative ~~providing front desk and management training for all Franchisees after a minimum of three Studios have opened in the Territory)~~ operate; and

8.7.3. Provide guidance to Franchisees in implementing grand opening and continuing advertising and marketing programs, operating and sales procedures, and bookkeeping and accounting programs.

8.7.4. Before a new L.A. Bikini Studio opens or completes any remodeling work/improvements, Area Representative shall provide Company with a complete set of photographs showing the exterior and interior of the subject L.A. Bikini Studio.

8.8. Ongoing Support Services. Area Representative shall perform the following Support Services on behalf of Company:

8.8.1. Provide regular consultation and advice to Franchisees in response to each Franchisee's inquiries about specific administrative and operating issues which Franchisee brings to Company's or Area Representative's attention including, without limitation, mandatory

and recommended specifications, standards and operating procedures of the L.A. Bikini System. Area Representative shall determine the most effective method for communicating the consultation or advice, which may include, without limitation, consultation and advice in person at the Franchisee's L.A. Bikini Studio or at another location, by telephone, in writing (in which case Area Representative shall determine the most efficient way to deliver the writing, whether by facsimile, electronically or mail), or by other means;

8.8.2. Provide on-going updates of information and programs regarding the L.A. Bikini business, and related L.A. Bikini System development, including, without limitation, information about special or new services of Company;

8.8.3. Provide advice and assistance to Franchisee in connection with improving Franchisee's studio performance;

8.8.4. Conduct at least one (1) quality assurance inspection (or re-inspection in the case of a failed first inspection) of each L.A. Bikini Studio in the Territory at least once per every six months. Said inspections shall be verified by written reports prepared by Area Representative and submitted to Company in a form acceptable to Company;

8.8.5. Provide Franchisees with advice and assistance regarding local advertising and promotional programs and the use of materials developed by Company from time to time through the application the Franchisee Marketing Fund; and

8.8.6. Submit periodic reports, but not more frequently than quarterly, to Company on activities in the Territory using procedures and forms prescribed by Company.

8.8.7. Area Representative will provide reasonable assistance to Company to determine that all Franchisees in the Territory maintain the minimum required insurance coverage (as specified in their respective Franchise Agreements) and that Area Representative and Company are named as additional insureds under all such policies. Area Representative shall maintain current copies of all certificates of insurance evidencing such policies.

8.9. Dealings with Franchisees.

8.9.1. Area Representative acknowledges that Company is delegating to Area Representative the performance of certain duties which Company owes to Franchisees in the Territory under Company's Franchise Agreement with the Franchisee.

8.9.2. In providing services to Franchisees of L.A. Bikini Studios located in the Territory, Area Representative shall in all respects comply with the terms and conditions of each Franchise Agreement and other contract that is in effect between Franchisee and Company. Area Representative shall continue to perform its obligations under this Agreement to each Franchisee in the Territory until Company notifies Area Representative in writing that a Franchise Agreement has been terminated. Furthermore, Area Representative accepts the risk that, during the Term, Company's form of Franchise Agreement may materially change, which could materially affect the scope or nature or Area Representative's duties, the commissions earned by

Area Representative, or the cost to Area Representative of discharging its duties, under this Agreement.

8.9.3. Area Representative understands and agrees that its rights as an Area Representative exist only by virtue of this Agreement and that it is not in any way a party to, or third party beneficiary of, any Franchise Agreement nor does it have any other right, title or interest therein. Similarly, no Franchisee is a third party beneficiary of this Agreement nor any other agreement between Company and Area Representative.

8.9.4. Area Representative shall not sell any products or other items to, or collect any money for any reason from, Franchisees without Company's prior written consent.

8.10. Area Representative's Inspections. Area Representative shall ascertain through field audits, reviews and inspections (including video tape and audio tape inspections and interviews) that each Franchisee in the Territory has complied satisfactorily with all of the terms and conditions of its Franchise Agreement. Area Representative shall provide to Company the original of all video/audio tapes, photographs and the original evaluation report, and shall promptly notify Franchisee in writing (providing them with a copy of the evaluation report) of any deficiencies; provided, however, Area Representative understands and acknowledges that its inspections and reports are advisory only and that Company shall have:

8.10.1. the right to inspect and ascertain each Franchisee's compliance with the applicable Franchise Agreement as if this Agreement were not in effect;

8.10.2. the sole right to send notices of default to Franchisees;

8.10.3. the sole right to terminate a Franchise Agreement;

8.10.4. the sole right to determine if a Franchisee has timely and adequately cured a default in cases where the Franchise Agreement permits the Franchisee to cure; and

8.10.5. the sole right to enforce a Franchise Agreement.

8.11. Company's Enforcement. If Area Representative believes that any Franchisee in the Territory has breached a Franchise Agreement with Company, Area Representative shall document in writing all facts related to the alleged breach and request in writing that Company investigate the alleged breach. If, as a result of Company's investigation, Company determines that a Franchisee has committed a breach of its Franchise Agreement with Company, Company may take such action as it deems appropriate in its sole discretion; provided, however, Area Representative understands and agrees that Company's right to exercise its discretion in the event of a Franchisee's breach shall entitle Company to determine the specific enforcement methods appropriate for each breach or Franchisee and the right to take no enforcement action. Area Representative shall not have any cause of action against Company arising from Company's exercise of its discretion. If Company commences legal proceeding against any Franchisee in the Territory, Area Representative shall, upon request, reimburse Company for fifty percent (50%) of the fees and costs (including attorneys, consultants and experts fees) incurred by Company in such action or proceeding, provided however, that the reimbursement

amount is capped at an amount equal to the amount of the Initial Area Marketing Fee paid to Company by Area Representative.

8.12. Studio Closures. If a L.A. Bikini Studio in the Territory is closed or relocates, Area Representative shall ensure that the location is fully “de-identified” with L.A. Bikini, including but not limited to the removal of all signs, banners, advertising or other materials containing any of the Proprietary Marks or anything else indicating an affiliation with Company or the Proprietary Marks.

## 9. MARKS

9.1. Ownership and Goodwill of Proprietary Marks. Area Representative acknowledges that its right to use the Proprietary Marks is derived solely from this Agreement and is limited to use in operating as an Area Representative pursuant to and in compliance with this Agreement. Any unauthorized use of the Proprietary Marks by Area Representative shall constitute a breach of this Agreement and an infringement of Company’s rights in and to the Proprietary Marks. Area Representative acknowledges and agrees that (i) Company is a licensee of the Proprietary Marks and owns the L.A. Bikini System, (ii) Area Representative owns no goodwill or rights in the Proprietary Marks or the L.A. Bikini System except for the license granted by this Agreement, and (iii) Area Representative’s use of the Proprietary Marks and any goodwill established by that use shall inure to Company’s exclusive benefit. Area Representative agrees not to contest, or assist any other person to contest, the validity of Company’s rights and interest in the Proprietary Marks or the L.A. Bikini System either during the Term or after this Agreement terminates or expires.

9.2. Limitations on Use. Area Representative shall not use any Mark (a) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Area Representative under this Agreement), (b) in connection with unauthorized services or products, (c) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (d) in any other manner not expressly authorized in writing by Company. Area Representative agrees to give such notices of trademark and service mark registration as Company specifies and to use and obtain such fictitious or assumed name registrations required by Company or under applicable law. Area Representative further agrees that no service mark other than L.A. Bikini or such other Proprietary Marks specified by Company shall be used in marketing, promoting, or operating Area Representative’s Business. When this Agreement expires or is terminated, Area Representative must execute any assignment or other documents Company requires to transfer to Company any rights Area Representative possesses in any fictitious or assumed name registrations required by this Agreement.

9.3. Modifications. Company reserves the right to: (i) modify or discontinue licensing any of the Proprietary Marks; (ii) add new names, marks, designs, logos or commercial symbols to the Proprietary Marks and require that Area Representative use them; and (iii) require that Area Representative introduce or observe new practices as part of the L.A. Bikini System in operating the Area Representative Business. Area Representative understands and agrees that the term Proprietary Marks means the specific names, marks, designs, logos or commercial symbols

licensed by Company at any given point in time, subject to Company's right to impose changes. Area Representative shall comply, at Area Representative's sole expense, with Company's directions regarding changes in the Proprietary Marks and L.A. Bikini System within a reasonable time after written notice from Company. Company shall have no liability to Area Representative for any cost, expense, loss or damage that Area Representative incurs in complying with Company's directions and conforming to required changes.

#### 9.4. Defense of Proprietary Marks and L.A. Bikini System.

9.4.1. Company shall have the sole right to handle disputes with Franchisees and third parties concerning Company's ownership of, rights in, or Area Representative's use of, the Proprietary Marks or the L.A. Bikini System.

9.4.2. Area Representative shall immediately notify Company in writing if Area Representative receives notice, or is informed, of any: (i) improper use of any of the Proprietary Marks or elements of the L.A. Bikini System, including misuse by Franchisees; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Area Representative's judgment, may be confusingly similar to any of the Proprietary Marks; (iii) use by any third party of any business practice which, in Area Representative's judgment, unfairly simulates the L.A. Bikini System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Area Representative based upon Area Representative's use of the Proprietary Marks or the L.A. Bikini System.

9.4.3. Company shall have sole discretion to take such action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Proprietary Marks or the L.A. Bikini System.

9.4.4. Area Representative shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by Company's decisions in handling disputes regarding the Proprietary Marks and the L.A. Bikini System. Area Representative shall cooperate fully with Company and execute such documents and perform such actions as may, in Company's judgment, be necessary, appropriate or advisable in the defense of such claims, suits or demands and to protect and maintain Company's rights in the Proprietary Marks and the L.A. Bikini System.

9.4.5. Unless it is established that a third party claim asserted against Area Representative is based, directly or indirectly, upon Area Representative's misuse of the Proprietary Marks or the L.A. Bikini System, Company agrees to defend Area Representative against the third party claim, provided Area Representative has notified Company immediately after learning of the claim and fully cooperates in the defense of the action. Because Company will defend the third party claim, Area Representative is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Notwithstanding Company's agreement to defend Area Representative under the conditions stated in this paragraph, Area Representative understands and agrees that Company is not liable to indemnify or reimburse Area Representative for any liability, costs, expenses, damages or

losses that Area Representative may sustain as a result of the third party claim. Area Representative, on behalf of itself and each Bound Party, hereby waives any claim against Company, and its officers, directors, shareholders, employees and agents based on third party claims involving the L.A. Bikini System or Proprietary Marks, including, without limitation for lost profits or consequential damages of any kind.

## 10. CONFIDENTIAL INFORMATION

10.1. Confidential Information. Company possesses certain proprietary confidential information consisting of the methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques, and knowledge of and experience in operating and franchising L.A. Bikini Studios (the “Confidential Information”). Company shall disclose the Confidential Information to Area Representative in the training program, the Manual, and in guidance furnished to Area Representative during the Term. Area Representative will not acquire any interest in the Confidential Information, other than the right to utilize it in the Territory in performing its duties hereunder during the Term, and Area Representative acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. Area Representative acknowledges and agrees that the Confidential Information is proprietary, includes trade secrets of Company, and is disclosed to Area Representative solely on the condition that Area Representative agrees, and Area Representative (and its shareholders, partners, members, and managers, if Area Representative is a corporation, partnership, or limited liability company) does hereby agree that Area

10.1.1. shall not use the Confidential Information in any other business or capacity;

10.1.2. shall maintain the absolute confidentiality of the Confidential Information during and after the Term;

10.1.3. shall not make unauthorized copies of any portion of the Confidential Information disclosed in any written, electronic or other tangible format; and

10.1.4. shall adopt and implement all reasonable procedure prescribed from time to time by Company to prevent unauthorized use or disclosure of the Confidential Information .

10.2. Work Made-For-Hire. All ideas, concepts, technique, or materials concerning a L.A. Bikini Studio or Area Representative Business, whether or not protectable intellectual property and whether created by or for Area Representative or its owners or employees, must be promptly disclosed to Company and will be deemed Company’s sole and exclusive property, part of the L.A. Bikini System, and work made for-hire for Company and Company’s Affiliates. To the extent any item does not qualify as a “work made for hire” for Company, upon creation of that item, Area Representative assigns ownership of that item, and all related rights to that item, to Company and must sign whatever assignment or other documents Company requests to show ownership or to help Company obtain intellectual property rights in the item.

10.3. Confidentiality, Non-Disclosure and Non-Competition Agreement. As a condition of this Agreement, unless they have already done so, Area Representative shall cause each Bound Party to execute Company' form of Confidentiality, Non-Disclosure and Non-Competition Agreement with Company containing restrictions substantively identical to the provisions of this Agreement.

## 11. EXCLUSIVE RELATIONSHIP

11.1. Exclusive Relationship. Company has entered into this Agreement with Area Representative on the condition that Area Representative will deal exclusively with Company. Area Representative acknowledges and agrees that Company would be unable to protect its Confidential Information or to encourage a free exchange of ideas and information among area representatives, franchisees and Company if Area Representative is permitted to hold interests in any Competitive Business, as defined below. Area Representative therefore agrees that, during the Term, neither Area Representative nor any Bound Parties, as defined below, shall:

11.1.1. have any direct or indirect interest, whether as an owner (either of record or beneficial) investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, in a Competitive Business, wherever located or operating. A "Competitive Business" is 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 located in the United States or Canada (excluding L.A. Bikini Studios that Area Representative or a Bound Party operates under a franchise agreement with Company);

11.1.2. have any direct or indirect interest, whether as an owner (either of record or beneficial) investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, in any business or activity which is similar to the Business involving the representation of any other person or entity in the sale of franchises, licenses or other types of distribution programs or opportunities of any kind, wherever located or operating.

11.1.3. divert, or attempt to divert, any business or customer of any L.A. Bikini Studio, or any Franchisee or prospective franchisee, to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Proprietary Marks or the L.A. Bikini System; or

11.1.4. employ or seek to employ any person who is at that time employed by Company, or another area representative or Franchisee or otherwise directly or indirectly induce or seek to induce the person to leave his or her employment.

11.2. Ownership of Publicly Traded Competitive Business. Notwithstanding the foregoing, (i) Area Representative shall not be prohibited from owning securities in a Competitive Business if the securities are listed on a stock exchange or traded on the over-the counter market and represent five percent (5%) or less of that class of securities issued and outstanding.

11.3. Survival. The covenants stated in this Article shall survive termination, expiration or the transfer of this Agreement.

11.4. Savings Clause. The parties acknowledge that the covenants set forth in this Article are independent of the other covenants and provisions of this Agreement. If any provision in this Article is void or unenforceable under Alabama law, but would be enforceable as written or as modified under the laws of any state in which the Territory is located (the "Local Laws"), the Parties agree that Alabama law shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Article, but only with respect to those subjects. Area Representative expressly authorizes Company to conform the scope of any void or unenforceable covenant in order to conform it to Alabama law. Area Representative expressly agrees, on behalf of itself and each Bound Party, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

11.5. Enforcement. Area Representative understands and agrees that Company will suffer irreparable injury not capable of precise measurement in money damages if Area Representative or any Bound Party breaches the covenants set forth in this Article. Accordingly, in the event a breach occurs, Area Representative, on behalf of itself and each Bound Party, hereby consents to entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief which may be granted by a court having proper jurisdiction, without the requirement that Company post bond. Area Representative further agrees that the award of equitable remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

## **12. OPERATING STANDARDS**

12.1. Standards of Service. Area Representative shall at all times give prompt, courteous, and efficient service to L.A. Bikini Franchisees in the Territory. Area Representative shall, in all dealings with Franchisees, prospective franchisees, and the public, adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct.

12.2. Compliance with Laws and Good Business Practices. Area Representative shall secure and maintain in force all required licenses, permits, and certificates relating to Area Representative's activities under this Agreement and operate in full compliance with all applicable laws, ordinances, and regulations. Area Representative acknowledges being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal, and termination of, and continuing relationship between parties to a franchise agreement, including, without limitation, laws concerning pre-sale disclosure and registration of persons who engage in the offer or sale of franchises. Without limiting the generality of the foregoing obligations, Area Representative understands and agrees that Area Representative is solely liable for investigating, and complying with, all pre-sale disclosure and registration laws in force in the Territory. In discharging these obligations, Area Representative shall use only the specific disclosure documents prepared by Company. If Company determines that applicable laws require that Company's Franchise Disclosure Document ("FDD") includes information about Area Representative, Bound Parties, or Area Representative's employees, Area Representative

agrees to supply the information promptly and, upon Company's request, to certify in writing that the information supplied is true, correct and not misleading. Company shall be responsible for drafting, updating and, where applicable, registering an FDD that complies with all applicable federal and state laws and regulations regarding franchise disclosure and registration.

12.3. Accuracy of Information. Area Representative shall not be liable for the accuracy of information of which Area Representative does not possess actual knowledge or should not reasonably know if the information is true, correct and not misleading. Company shall provide Area Representative with amendments, revisions and updates to its written materials, agreements, FDD and other documents on a timely basis and, upon request, provide Area Representative with confirmation that the information contained in the written materials, agreements, or documents which it supplies to Area Representative is true, correct, and not misleading, except for the information which Area Representative supplies to Company of which Company does not possess actual knowledge or should not reasonably know if the information is true, correct and not misleading. If Area Representative notifies Company of an error in any information in Company's documents, Company shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations, or omissions in such information.

12.4. Notification of Litigation. Area Representative shall notify Company in writing within five (5) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award, or decree, by any court, agency, or other governmental instrumentality which names Area Representative or otherwise concerns the operation or financial condition of Area Representative, Area Representative's Business, or any Franchisee.

12.5. Attention. The Area Representative Business shall at all times be under the direct, day-to-day, supervision of Area Representative or at least one Primary Owner. Area Representative will devote a commercially reasonable amount of time and attention to the Business, and agrees to act in good faith to comply with directives and suggestions from the Company regarding the amount of time and attention directed to the Business.

12.6. Insurance.

12.6.1. Area Representative shall at all times during the Term maintain in force, at Area Representative's sole expense, insurance for the Area Representative Business of the types, in the amounts, and with such terms and conditions as Company may from time to time prescribe in the Area Representative Manual or otherwise (recognizing that in the judgement of the Company, the Company may not require Area Representative to maintain any insurance coverage, and may determine that Area Representative may determine for itself appropriate amounts and types of insurance coverage). All of the required insurance policies shall name Company as additional insureds, contain a waiver of the insurance company's right of subrogation against Company, and provide that Company will receive thirty (30) days' prior written notice of termination, expiration, cancellation, or modification of any such policy.

12.6.2. If required by Company, Area Representative shall provide proof of insurance to Company before beginning operations of its Area Representative Business. This proof will show

that the insurer has been authorized to inform Company in the event any policies lapse or are canceled or modified.

12.6.3. Company may modify the types, amounts, and terms of insurance that Area Representative shall maintain (or may indicate that it does not require specific coverages) by giving Area Representative prior reasonable notice.

12.6.4. Should Area Representative not procure or maintain the insurance required by this Agreement, Company may, without waiving its right to declare a breach of this Agreement based on Franchisee's default, procure the required insurance coverage at Franchisee's expense, although Company has no obligation to do so. Area Representative shall pay Company an amount equal to the premiums and related costs for the required insurance in full upon receipt of invoice, plus a twenty-five percent (25%) service charge and an amount sufficient to reimburse Company for its actual direct costs in obtaining the required insurance.

## 12.7. Advertising in Territory.

12.7.1. Each Sales Quarter during the Term (prorated for any partial period), Area Representative shall consult with Company with respect to the amount of money Area Representative expects to spend on advertising for the purposes of marketing and promoting the sale of new L.A. Bikini franchises in the Territory and recruiting prospective franchisees ("Solicitation Advertising").

12.7.2. Within thirty (30) days after the end of each Sales Quarter and Sales Year, Area Representative shall furnish to Company, in a manner approved by Company, an accurate accounting of all expenditures that Area Representative has made on Solicitation Advertising during the preceding Sales Quarter and for the Sales Year to date, exclusive of Area Representative's general overhead expenses.

12.7.3. Company shall provide Area Representative with written guidelines for Solicitation Advertising. Area Representative shall not use, disseminate, broadcast or publish any Solicitation Advertising without first obtaining Company's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Solicitation Advertising. This obligation applies, without limitation, to any Solicitation Advertising which Company may create.

12.7.4. To apply for Company's approval, Area Representative shall submit a true and correct copy, sample or transcript of the proposed Solicitation Advertising, a written business plan which explains the proposed promotional event or use of the Solicitation Advertising, and any additional information material to the proposal disclosing Area Representative's intended use of the proposed Solicitation Advertising. Company shall have fifteen (15) business days from the date of receipt in which to approve or disapprove of the submitted materials. If written approval is not received by the end of fifteen (15) business days, Company shall be deemed to have rejected the proposed Solicitation Advertising. If written approval is given on or before the end of fifteen (15) business days, Area Representative may use the proposed Solicitation Advertising, but only in the exact form submitted to Company. Area Representative shall not use

any Solicitation Advertising of any nature that Company has disapproved. Area Representative understands and agrees that certain states require the registration of Solicitation Advertising before its use or distribution in the state. Area Representative agrees to comply with all registration requirements applicable to Solicitation Advertising that Area Representative creates or desires to use, at Area Representative's own expense, unless Company provides Area Representative with Solicitation Advertising which Company has previously registered, in which case Area Representative shall use the Solicitation Advertising only in the exact form in which Company gives Area Representative the Solicitation Advertising. Area Representative shall not register any Solicitation Advertising that Company has disapproved. Company may charge Area Representative for any costs which Company incurs to reproduce Solicitation Advertising at Area Representative's request.

12.7.5. In addition to the amounts Area Representative agrees to spend on Solicitation Advertising set forth in subparagraph 12.7.1.:

12.7.5.1 Area Representative shall maintain an active profile on the LinkedIn social media platform that contains information provided by the Company or approved by the Company with respect to being an Area Representative. In connection with the Area Representative's profile on the LinkedIn social media platform, Area Representative will comply with all reasonable requests from the Company concerning modifications or edits to the profile to represent the best interests of the Company and the L.A. Bikini System.

12.7.5.2 Company reserves the right to require that Area Representative participate in a maximum of two (2) trade shows each year in the Territory, subject to an agreement between Company and Area Representative as to the duration of each such trade show and what portion of the cost thereof will be borne by each of the parties.

12.8. Accounting; Bookkeeping; Records and Reports.

12.8.1. Area Representative shall maintain at its business premises in the Territory all original invoices, receipts, checks, contracts, licenses, acknowledgment of receipt forms, and bookkeeping and business records that Company may require from time to time in accordance with the standards stated in the Manual or otherwise prescribed by Company in writing. Area Representative shall retain its business records for a minimum of seven (7) years during, and following, the expiration, termination, or Franchisee's assignment, of this Agreement.

12.8.2. Area Representative shall furnish Company with the following financial reports:

12.8.2.1 On or before thirty (30) days after the end of each Accounting Period during the Term, in the form approved by Company, a profit and loss statement, providing the Area Representative Business' results of operation during the Accounting Period just ended and cumulative information for the Sales Year-to-date. For purposes of the reports required by this Section 12.8.2.1, the Accounting Period shall be a three month (quarter) period, regardless of whether different Accounting Periods are in place for other or different reporting obligations.

12.8.2.2 Within forty-five (45) days after the end of each Sales Year during the Term, a profit and loss statement and balance sheet as of the last day of the Sales Year prepared in accordance with the accounting procedures stated in the Manual or otherwise communicated to Area Representative. Company recognizes that in appropriate circumstances, the end of year report required by this subsection may be the same report required at the end of the Accounting Period coinciding with the end of the Sales Year, and if appropriate, Area Representative may provide a single report, subject to a request for additional information from the Company.

12.8.2.3 Area Representative shall, as often as required by Company, deliver to Company a written report of its Business activities in such form and detail as Company may from time to time specify, including information about efforts to solicit prospective franchisees, the status of pending real estate transactions and construction progress, and the status of the L.A. Bikini Studios in the Territory.

12.8.3. Area Representative shall, as often as required by Company during the Term, deliver to Company quality assurance inspection reports for each Franchisee in the Territory in such form and detail as Company may from time to time specify.

12.8.4. Area Representative shall, as often as required by Company, deliver to Company statistical control forms and such other financial, operational and statistical information as Company may require to (i) assist Area Representative in the operation of the Area Representative Business in accordance with the L.A. Bikini System; (ii) allow Company to monitor Area Representative's performance under this Agreement; (iii) enable Company to develop system-wide statistics; (iv) assist Company to develop new authorized products, remove unsuccessful authorized products, including unsuccessful Proprietary Products, and improve and enhance Proprietary Products; and (v) implement changes in the L.A. Bikini System to respond to competitive and marketplace changes.

12.8.5. Area Representative shall comply with Company's instructions regarding the method for preparing and submitting all reports, including electronic submissions, at Area Representative's cost. Area Representative shall furthermore comply with Company's requests for additional information.

12.8.6. All reports submitted to Company pursuant to this Agreement shall be executed by Area Representative or its duly authorized representative certifying that the information supplied is true, correct and not misleading.

### **13. INSPECTIONS AND AUDITS**

13.1. Inspections. In addition to Company's audit rights described in this Agreement, Area Representative expressly authorizes Company and its representatives, at any reasonable time, and without prior notice to Area Representative, to inspect Area Representative's methods of operation and reviewing Area Representative's books and records (including, without limitation, data stored on Area Representative's computer hard drive and disks) in order to verify Area Representative's compliance with this Agreement and the Manual. Area Representative shall cooperate fully with Company's inspections and promptly cure all deviations from Company's

standards, specifications and operating procedures that Area Representative is notified of either orally or in writing.

13.2. **Audit Rights.** Company and its representatives shall have full access to examine, audit and copy Area Representative's business records relating to the Area Representative Business, including Area Representative's federal and state income tax returns, bank statements (including deposit slips and canceled checks), and any other documents and information that Company reasonably requests in order to verify Area Representative's compliance with this Agreement. Company may conduct its examination in Area Representative's business office where the records are kept or request that copies of documents be made by Area Representative and sent to Company or to its representatives for their examination in their office. Additionally, Company may, at its expense, have an independent audit made of Area Representative's business records at any time.

## **14. TRANSFERS**

14.1. **Transfers by Company.** Area Representative acknowledges that Company maintains a staff to manage and operate the L.A. Bikini System and that staff members can change from time to time. Area Representative represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Company in that capacity. Company is free to transfer and assign all of its rights under this Agreement to any person or business entity, provided the assignee agrees in writing to assume Company's obligations. Upon such assignment and assumption, Company shall have no further obligation to Area Representative.

14.2. **Transfers by Area Representative.**

14.2.1. Area Representative understands and agrees that the franchise rights granted to it are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Area Representative and, if Area Representative is a corporation, LLC or other business entity, that of its officers, directors, shareholders, managers, trustees or owners.

14.2.2. Area Representative understands and agrees that, without Company's prior written consent, it has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, (ii) the right to use the L.A. Bikini System or the Proprietary Marks granted pursuant to this Agreement, or (iii) all or a significant portion of the other assets of the Area Representative Business. Company agrees not to withhold its consent unreasonably if, in Company's reasonable judgment, Area Representative satisfies the conditions to transfer identified in this Agreement. Without Company's prior written consent, Area Representative shall not offer for sale or transfer at public or private auction any of the individual assets of the Area Representative Business.

14.2.3. For purposes of this Agreement, each of the following events is an event of transfer which requires Company's prior written consent and is subject to the conditions to transfer identified in this Agreement:

14.2.3.1 A change in ownership of Area Representative due to a consolidation or merger involving Area Representative or any of Area Representative's Affiliates.

14.2.3.2 If Area Representative is an individual, an order dissolving Area Representative's marriage.

14.2.3.3 The death or Incapacity (as defined in this Agreement) of Area Representative if Area Representative is an individual, or the death or Incapacity of any person satisfying the definition of Area Representative's Primary Owner.

14.2.3.4 Either (i) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation by any Primary Owner of its entire ownership interest, or of a smaller interest that constitutes a Controlling Interest in the equity or voting interests of Area Representative; (ii) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of a Controlling Interest in the equity or voting interests of Area Representative Affiliate; or (iii) the issuance of additional shares representing a Controlling Interest in the equity or voting interests of Area Representative or anyone of Area Representative's Affiliates. For example, and without limitation, a financial restructuring or recapitalization secured by either a Controlling Interest in the equity or voting interests of Area Representative or all or substantially all of the assets of the Area Representative Business, shall constitute an event of transfer subject to the provisions of this Agreement.

14.2.3.5 The sale, assignment, transfer, pledge, donation, encumbrance or other alienation of all, or substantially all, of the assets of the Area Representative.

14.2.3.6 A transfer of any interest in this Agreement.

14.2.3.7 The transfer by Area Representative or any Primary Owner of all of his or her rights under this Agreement to a newly-formed corporation, LLC or other business entity or to a trust.

14.2.3.8 The offer or sale of securities of Area Representative pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum.

14.2.4. Any attempted or purported transfer which fails to comply with the requirements of this Agreement shall be null and void and shall constitute a default under this Agreement.

14.3. Company's Right of First Refusal.

14.3.1. Except with respect to Qualified Transfers, if Area Representative, or the person to whom an offer is directed (the "Individual Transferor"), receives a bona fide written offer ("Third Party Offer") to purchase or otherwise acquire an interest which will result in an event of transfer within the meaning of this Agreement, Area Representative or the Individual Transferor, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed transfer.

14.3.2. Area Representative, or the Individual Transferor, shall attach to its application for consent to the transfer a complete copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed assignment or that Company requests.

14.3.3. Company or its nominee shall have the right, exercisable by written notice ("Notice of Exercise") given to Area Representative or the Individual Transferor, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Area Representative or the Individual Transferor that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Company may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and ii) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing from Area Representative to Company under this Agreement or any other agreement by and between Area Representative and Company, including any Franchise Agreements.

14.3.4. If Company exercises its right of first refusal, the closing shall take place at Company's headquarters at a mutually agreed upon date and time, but not later than sixty (60) days following Company's receipt of the Third Party Offer, all supporting information, and the application for consent to transfer. At the closing, Area Representative or the Individual Transferor shall deliver to Company the same documents, affidavits, warranties, and instruments as would have been delivered by Area Representative or the Individual Transferor to the proposed transferee pursuant to the Third Party Offer. Additionally, Area Representative and the Individual Transferor shall deliver a general release, in form satisfactory to Company, of any and all claims against Company, Affiliates and their respective officers, directors, shareholders, employees and agents.

14.3.5. All costs, fees, document taxes and other expenses incurred in connection with the transfer shall be allocated between Area Representative and Company in accordance with the terms of the Third Party Offer and any costs not allocated shall be paid by Area Representative or the Individual Transferor.

14.3.6. In the event Company gives timely Notice of Exercise but, through no fault of Area Representative or the Individual Transferor, fails to close the purchase for any reason, Area Representative or the Individual shall have no recourse against Company. Area Representative or the Individual Transferor may not complete the sale to the proposed transferee without first obtaining Company's prior written consent and satisfying the other conditions to transfer stated in this Agreement.

#### 14.4. Qualified Transfers.

14.4.1. The following events are collectively referred to as "Qualified Transfers:"

14.4.1.1 If Area Representative is a corporation, limited liability company or other business entity, the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of equity or voting interests constituting less than a Controlling Interest of the total outstanding equity or voting interests of an Area Representative.

14.4.1.2 If Area Representative is an individual, the transfer by Area Representative all of his or her rights under this Agreement to a newly-formed corporation, LLC or other business entity provided all of the equity and voting interests of the new business entity are owned by the individual.

14.4.2. In order to complete a Qualified Transfer, Area Representative must (i) give Company written notice of its desire to complete a Qualified Transfer; (ii) when the Qualified Transfer is to a newly-formed corporation, LLC or other business entity, deliver the documents required to be delivered by a business entity Area Representative, including a duly executed personal guaranty in favor of Company from each person who is required to give a personal guaranty under this Agreement; and (iii) pay a transfer fee of \$1,500 to compensate Company for its expenses in recording the ownership change. The Qualified Transfer shall not be effective unless and until Area Representative satisfies conditions (i), (ii) and (iii). In the event Area Representative is an individual that transfers all of his or her rights under this Agreement within ninety (90) days of the Effective Date to a newly-formed corporation, LLC or other business entity, and provided all of the equity and voting interests of the new business entity are owned by the individual and the individual executes a personal guaranty of all agreements related thereto in a form acceptable to Company, the payment of the \$1,500 transfer fee as provided in this subparagraph shall be waived.

14.4.3. Company shall not have any right of first refusal with respect to a Qualified Transfer, nor shall Area Representative be required to obtain Company's prior written consent to a Qualified Transfer if Area Representative satisfies the conditions stated in this Paragraph.

14.5. Conditions for Approval of Transfer.

14.5.1. If Company does not exercise its right of first refusal or complete the purchase of an interest which is the subject of a Third Party Offer, Area Representative may not complete the proposed transfer without Company's prior written consent. Any transfer, or attempt to complete a transfer, in violation of this provision is a material breach of this Agreement. The requirements of this paragraph do not apply to a Qualified Transfer.

14.5.2. Company shall determine whether or not to issue its consent to the proposed transfer and shall notify Area Representative of its decision by no later than the following dates: (i) if Company gives timely Notice of Exercise but does not consummate the transfer through no fault of Area Representative or the Individual Transferor, notice shall be given within ten (10) days after the scheduled closing date for Company's purchase of the interest, or thirty (30) days after Notice of Exercise is given, whichever occurs later, or (ii) in all other cases, notice shall be given thirty (30) days following Company's receipt of the Third Party Offer (if any), all supporting information and the application for consent to transfer.

14.5.3. Company shall not be obligated to approve a proposed transfer unless Area Representative is in uncured default of this Agreement. Company shall not unreasonably withhold, condition or delay its approval of a proposed transfer that meets all the applicable requirements of this Paragraph. The proposed transferee and its owners must be individuals of good moral character and otherwise. As a condition to issuing consent to a transfer, Company shall require that all of the following conditions be satisfied:

14.5.3.1 The proposed transferee must submit a completed franchise application to Company and meet Company's then-current qualifications for new L.A. Bikini area representatives, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

14.5.3.2 As of the date consent is requested and through the date of closing of the proposed transfer and assignment, Area Representative must not be in uncured default under this Agreement or any other agreements with Company, and must be current with all monetary obligations owed to third parties, including (without limitation) and Affiliates of Company.

14.5.3.3 The transferee must sign Company's then-current form of Area Representative Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, and, upon execution, pay the then-current Initial Area Marketing Fee and any other initial fees identified therein which are payable upon execution. In exchange for signing the then-current Area Representative Agreement, the transferee shall receive franchise rights equal in length to the term and any renewal terms granted by the then-current form of Area Representative Agreement. If transferee is an existing area representative, transferee pays an Initial Area Marketing Fee of \$5,000 and receives no initial training program.

14.5.3.4 Except when the transferee is an existing area representative, the proposed transferee or anyone of its Primary Owners and a member of its senior management must complete to Company's satisfaction Company's next available initial training program for area representatives.

14.5.3.5 Area Representative has paid all amounts owed to Company or its Affiliates and third party creditors and submitted to Company all required reports and statements.

14.5.3.6 Area Representative will remain subject to all obligations stated herein that expressly, or by their nature, survive termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

14.5.3.7 Area Representative (and its transferring owners) executes a general release, in form satisfactory to Company, of any and all claims against Company and its Affiliates and their respective shareholders, officers, directors, employees, and agents.

14.5.3.8 The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement. If the proposed transferee is a

corporation, LLC or other business entity, each person who at the time of the transfer, or later, owns or acquires, either legally or beneficially, ten percent (10%) or more of the equity or voting interests of the proposed transferee must execute the form of personal guaranty attached to this Agreement as Exhibit B and incorporated herein by reference.

14.5.3.9 Company approves the material terms and conditions of such transfer including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the transferee's business as an Area Representative of Company.

14.5.3.10 If Area Representative (and the transferring owners) finances any part of the sale price of the transferred interest, Area Representative and its owners agree that all obligations of the transferee under any promissory notes, agreements, or security interests shall be subordinate to the transferee's obligation to pay fees and other amounts due to Company and its Affiliates and otherwise to comply with this Agreement. Area Representative's right to receive the sales proceeds from the proposed transferee in consideration of the transfer, or otherwise, shall be subordinate to the proposed transferee's and Area Representative's duties owed to Company and any Affiliate of Company under, or pursuant to, this Agreement or any other agreement. All contracts by and between Area Representative and the proposed transferee shall expressly include a subordination provision permitting payment of the sales proceeds to Area Representative only after any outstanding obligations owed to Company and any Affiliate of Company are fully satisfied.

#### 14.6. Closing of Sale to Third Party Transferee.

14.6.1. Should Company consent to a transfer to a third party, Area Representative, or the Transferor, may only complete the transfer to the proposed transferee on the terms identified in the Third Party Offer or as otherwise stated in Area Representative's application for consent.

14.6.2. If there is any material change in the terms of the Third Party Offer, Company has a right of first refusal to accept the new terms subject to the conditions stated in this Paragraph.

14.6.3. If Company consents to the transfer to a third party, the transfer must close within sixty (60) days from the date the Third Party Offer is first submitted to Company unless Company grants an extension of time in writing; otherwise, it must again be offered to Company.

#### 14.7. Business Entity Area Representative.

14.7.1. If Area Representative is a corporation, LLC, partnership, or other business entity, it shall furnish to Company, upon execution of this Agreement or at such other time as transfer to the business entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other agreement, and a list of all persons owning an interest in the equity or voting interests of the business entity. Additionally, Area Representative shall promptly provide Company with a copy of any amendments to, or changes in, the information during the Term.

14.7.2. During the Term, each person who now or later owns or acquires, either legally or beneficially, twenty-five percent (25%) or more of the equity or voting interests of Area Representative must execute Company's form of personal guaranty attached hereto as Exhibit B.

14.7.3. Area Representative shall maintain stop transfer instructions against the transfer on its records of any equity or ownership interests. Each certificate representing an ownership interest in Area Representative shall bear a legend, in the form stated in the Manual, that it is held, and further assignment or transfer thereof is subject to all restrictions imposed upon transfer set forth in this Agreement.

14.7.4. The chief financial officer of Area Representative shall deliver a certificate to Company annually, when Area Representative's annual financial statements are delivered, which lists all owners of record and all beneficial owners of any interest in the equity or voting interests of Area Representative and identifies all transfers of equity or voting interests in Area Representative which have occurred during the period covered by the annual financial statement.

#### 14.8. Death or Incapacity.

14.8.1. In the event of the death or Incapacity of Area Representative, if Area Representative is an individual, or the death or Incapacity of Area Representative's Primary Owner, if Area Representative is a business entity, the spouse, heirs or personal representative of the deceased or incapacitated individual, or the Regional remaining shareholders, members, partners or owners, as appropriate to the circumstance (collectively referred to as the "Successor") shall have one hundred eighty (180) days from the date of death or Incapacity in which to (i) purchase the interest owned by the deceased or incapacitated individual, or (ii) complete the sale or assignment of the interest to a qualified, approved third party, provided, in either case, the purchase or assignment complies with the conditions for transfer stated in this Paragraph.

14.8.2. During the period that the Successor operates the Area Representative Business, the Successor shall perform all of the obligations of Area Representative under this Agreement. At the end of the 180-day period, if the Successor has not purchased the Area Representative Business or obtained Company's consent to a transfer to a third party, Company may, at its election, terminate this Agreement.

14.8.3. For purposes of this Agreement, the term "Incapacity" means an inability due to medical reasons to devote full time and attention to supervising all administrative and operational activities of the Area Representative Business and compliance with this Agreement continuing for at least four (4) months in the aggregate during any consecutive 12-month period during the Term, based upon the examination and findings of a physician selected by Company. A period of Incapacity shall continue without interruption unless and until the person suffering the Incapacity resumes his or her duties under this Agreement on a full time basis for thirty (30) consecutive days.

14.9. No Release. Neither Company's exercise of its right of first refusal nor its consent to a transfer to an approved third party shall operate to release Area Representative or the Individual Transferor from this Agreement or any personal guaranty.

14.10. Company's Right to Purchase Area Representative Business Upon Sale of Company. In the event Company receives an offer from a third party to buy a Controlling Interest in Company, or to buy substantially all of Company's assets, that Company intends to accept, then Company may serve notice (the "Purchase Notice") of its election to purchase the Area Representative Business, in which case the following terms shall apply:

14.10.1. The closing of the sale and transfer of the Area Representative Business shall take place on the date specified in the Purchase Notice, which may be before or coterminous with the closing date of Company's transaction with the aforementioned third party; and

14.10.2. On the closing date, Franchisee shall (i) execute appropriate transfer documents to convey, sell, assign and transfer all of its right, title and interest in and to the Area Representative Business and all of its assets to Company or its designee, (ii) certify and execute such representations, warranties and covenants concerning Franchisee and the Area Representative Business as Company may request, and (iii) deliver a general release, in form satisfactory to Company, of any and all claims against Company, any of Company's Affiliates, and their respective officers, directors, shareholders, employees and agents. At the closing, Company or its designee shall pay Area Representative an amount equal to the fair market value (as defined below) of the Area Representative Business:

14.10.2.1 "Fair Market Value" means the amount computed in accordance with Section 15.5.2, infra.

## **15. TERM AND EXPIRATION**

15.1. Term. This Agreement shall begin on the Effective Date and shall expire without notice ten (10) years from the Effective Date, unless this Agreement is sooner terminated as provided herein (the 10-year period is referred to as the "Term").

15.2. Renewal. At the end of the Term, and subject to Company's repurchase option described in this paragraph, Area Representative shall have the option to renew its Area Representative rights for an unlimited number of successive additional ten (10) year periods (the "Renewal Term"). To exercise the renewal option, Area Representative must:

15.2.1. give Company written notice of Area Representative's election to renew (the "Renewal Notice") at least nine (9) months, but not more than twelve (12) months, before the end of the Term. The Renewal Term shall begin on the day immediately following the expiration of the Term.

15.2.2. not be in uncured default under this Agreement when it gives its Renewal Notice or on the first day of the Renewal Term. Further, Area Representative must not have received more than three (3) notices of default during any 12-month period during the Term, whether or not the

notices relate to the same or to different defaults, and whether or not the defaults have each been cured by Area Representative.

15.2.3. at least sixty (60) days before the Term expires, execute Company's then-current form of Area Representative Agreement and pay a non-refundable renewal fee equal to ten percent (10%) of the Initial Area Marketing Fee which Area Representative has paid under this Agreement. Area Representative understands and agrees that Company's then-current form of Area Representative Agreement may contain terms materially different from those in this Agreement; provided, however, that (i) Area Representative shall not have any different renewal rights even if the new Area Representative Agreement grants different or longer renewal options; (ii) Area Representative shall not be required to pay a new Initial Area Marketing Fee, but instead shall pay the renewal fee stated in this Agreement; (iii) Company may impose new commercially reasonable development quotas for the Renewal Term; (iv) the percentages and types of commissions payable to Area Representative and the definition of the Territory set forth in this Agreement shall remain the same regardless of the provisions in the new Area Representative Agreement; and (v) the Territory shall remain the same. The new Area Representative Agreement shall identify the commercially reasonable new Development Quotas for the Renewal Term, which Company shall be determined in accordance with the procedures stated in this Agreement.

15.2.4. satisfy Company's then-current training requirements, if any, for renewing area representatives.

15.2.5. execute and deliver a mutual general release, in form satisfactory to Company, by which Area Representative and Company release any and all claims against one another, any Affiliate of each other, and their respective officers, directors, shareholders, employees and agents.

15.3. Ineffective Exercise of Renewal Option. Area Representative's failure to deliver the agreements and release required by this Paragraph within thirty (30) days after Company delivers them to Area Representative shall be deemed an election by Area Representative not to exercise the renewal option.

15.4. New Development Quotas.

15.4.1. As a condition of renewal, Company may impose commercially reasonable new Development Quotas for the Renewal Term based on, among other factors, changes in the Territory's population during the Term, the number of L.A. Bikini Studios operating in the Territory, the current and projected population of the Territory, presence of competition, availability of suitable locations, availability of financing, regulatory issues concerning products and services of the system, and other similar factors affecting the growth potential of L.A. Bikini Studios.

15.4.2. At least ninety (90) days before the Term expires, Company shall notify Area Representative of the proposed new Development Quotas for the Renewal Term, which Company shall determine in accordance with the procedures stated in this Agreement.

15.4.2.1 If Area Representative and Company cannot agree on, the new Development Quotas, either party may submit the matter for binding arbitration under the expedited rules of the American Arbitration Association, by giving written notice to the other party.

15.5. Company's Repurchase Option. Area Representative understands and agrees that any time after Area Representative gives its Renewal Notice electing to renew for the Renewal Term, Company may serve notice ("Repurchase Notice") of its election to repurchase the Area Representative Business, in which case the following terms shall apply:

15.5.1. The sale and transfer of the Area Representative Business shall take place within sixty (60) days after the date Company gives the Repurchase Notice.

15.5.2. On the closing date, Area Representative shall (i) execute appropriate transfer documents to convey, sell, assign and transfer all of its right, title and interest in and to the Area Representative Business to and (ii) deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents, and Company shall pay Area Representative Fair Market Value, which the parties agree will be an amount equal to four (4) times the sum of:

15.5.2.1 the aggregate Sales Services Commissions and Royalty Commissions earned by or paid to Area Representative during the twelve (12) months before the month in which Company served the notice referred to in Section 15.4 .2,

15.5.2.2 all commissions fully earned by Area Representative for the period to the closing date which have not yet been paid, and

15.5.2.3 the amount of any renewal fees which Area Representative has paid to Company under this Agreement prorated to the closing date.

15.6. Extension. If Company is in the process of revising, amending or renewing its franchise disclosure documents or registration to sell franchises in the state where the Area Representative Business is located, or, under applicable laws in the Territory, cannot lawfully offer Area Representative its then current form of Area Representative Agreement at the time Area Representative delivers a Renewal Notice, Company may, in its sole and absolute discretion, offer to extend the terms and conditions of this Agreement on a day-to-day basis following the expiration of the Term for as long as Company deems necessary so that Company may lawfully offer its then-current form of Area Representative Agreement to Area Representative; provided, however, nothing in this Paragraph shall require Company to extend this Agreement if, at the time Area Representative delivers a Renewal Notice (i) Company is not granting new area representative franchises in the United States, or (ii) Area Representative is in default under this Agreement or a successor Area Representative Agreement.

15.7. Failure to Satisfy Renewal Conditions. If Area Representative withdraws its Renewal Notice or any of the renewal conditions are not timely satisfied, this Agreement will expire on the last day of the Term without further notice from Company; provided, however, Area Representative shall remain obligated to comply with all provisions of this Agreement which expressly, or by their nature, survive the expiration or termination of this Agreement.

## 16. TERMINATION

16.1. By Area Representative. Area Representative may terminate this Agreement for any reason, at any time during the Term, by giving Company not less than one hundred eighty (180) days written notice. Area Representative shall not be entitled to a refund of any monies that Area Representative has paid to Company or any Affiliate of Company in the event of termination.

16.2. By Company Without Opportunity to Cure. Company may terminate this Agreement, in its discretion and election, effective immediately upon Company's delivery of written notice of termination to Area Representative based upon the occurrence of any of the following events which shall be specified in Company's written notice, and Area Representative shall have no opportunity to cure a termination based on any of the following events, if Area Representative:

16.2.1. Fails to satisfactorily complete the initial training program as provided in this Agreement.

16.2.2. Makes a material misrepresentation or omission in its application to be an area representative or in operating the Area Representative Business.

16.2.3. Violates any federal or state laws pertaining to the sale of franchises, including, without limitation, communicating information which directly or indirectly states or suggests a specific level or range of potential or actual sales, income, gross or net profits, costs, or break-even analysis (excluding information, if any, prepared by Company and contained in Company's FDD) or fails to comply with or cure any other violation of federal, state or local law within ten (10) days after receiving notice of noncompliance.

16.2.4. Fails to meet the Development Quotas set forth in Exhibit A.

16.2.5. Fails to pay any fees or amounts due to Company or Company's Affiliates within ten (10) days after receiving notice that the fees or amounts are overdue.

16.2.6. Fails to submit any reports or financial statements within thirty (30) days after receiving notice that the reports or statements are overdue, unless Area Representative obtained the prior written agreement of the Company for an extension.

16.2.7. Commits an event of default under any other agreement by and between Company and the Area Representative ~~and Company~~ or any affiliate of Area Representative or entity controlled by, controlling, or under common control with Area Representative, including, without limitation, pertaining to Area Representative's (or such affiliate or entity controlled by, controlling, or under common control with Area Representative) store franchise or another area representative business, which, by its terms, cannot be cured or which Area Representative or

other referenced entity has failed to cure within the allowed time period, including (without limitation) a default under any personal guaranty.

16.2.8. Makes any general arrangement or assignment for the benefit of creditors or become a debtor as that term is defined in 11 U.S.C. §101 or any successor statute, unless, in the case where a petition is filed against Area Representative, Area Representative obtains an order dismissing the proceeding within sixty (60) days after the petition is filed; or should a trustee or receiver be appointed to take possession or all, or substantially all, of the assets of the Area Representative Business, unless possession of the assets is restored to Area Representative within thirty (30) days following the appointment; or should all, or substantially all, of the assets of the Area Representative Business or the franchise rights be subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within thirty (30) days following issuance.

16.2.9. If any officer, director, shareholder, member, manager or general partner of Area Representative is convicted of, or pleads no contest to, a felony charge or engages in any conduct or practice that, in Company's reasonable opinion, reflects unfavorably upon or is detrimental or harmful to the good name, goodwill or reputation of Company or to the business, reputation or goodwill of the L.A. Bikini System of the Proprietary Marks.

16.2.10. Surrenders, transfers control of, or makes an unauthorized transfer, or attempts to do so, in violation of this Agreement.

16.2.11. Makes or passes an order or resolution for the winding-up or the liquidation of Area Representative (if Area Representative is a corporation, LLC, partnership or other business entity) or adopts or takes any action for its dissolution or liquidation.

16.2.12. Receives from Company, during any consecutive 24-month period, three (3) or more notices of default (whether or not the notices relate to the same or to different defaults and whether or not the defaults were timely cured by Area Representative).

16.2.13. Makes any unauthorized use, publication, duplication or disclosure of any Confidential Information or any portion of the Manual, or if any person who executes a Confidentiality, Non-Disclosure and Non-Competition Agreement with Company or Area Representative breaches the Confidentiality, Non-Disclosure and Non-Competition Agreement.

16.2.14. Abandons or fails or refuses to actively operate the Area Representative Business for any period such that Company may reasonably conclude that Area Representative does not intend to continue operating it, unless Area Representative obtains Company's written consent to cease regular activities for a specified period of time.

16.2.15. Materially misuses or makes an unauthorized use of any of the Proprietary Marks or commits any other act which does, or can reasonably be expected to, materially impair the goodwill or reputation associated with any of the Proprietary Marks or the L.A. Bikini System.

16.3. Termination by Company with Right to Cure.

16.3.1. If Area Representative breaches, or refuses to fulfill or perform, any obligation arising under this Agreement not specifically identified in Paragraph 17.2 above, or fails or refuses to adhere to any mandatory operating procedure, specification or standard prescribed by Company in the Manual or otherwise communicated to Area Representative, Company may terminate this Agreement, in its discretion and election, effective at the close of business thirty (30) days after giving written notice of default to Area Representative which specified the grounds of default, if Area Representative fails to cure the default cited in the notice. Company shall indicate its decision to terminate by notice given to Area Representative either before, or after, the end of the 30-day cure period.

16.3.2. If a default cannot reasonably be cured within thirty (30) days, Area Representative may apply to Company for additional time to complete the cure. The length of the additional cure period, if any, allowed by Company shall be stated in a writing signed by Company. If Company grants an extension and if Area Representative does not complete the required cure within the extended cure period, termination of this Agreement shall be effective at the close of business on the last day of the extended cure period without further notice from Company.

#### 16.4. Effect of Termination or Expiration.

16.4.1. Except as expressly provided in this paragraph, termination or expiration of this Agreement for any reasons shall result in the concurrent, and automatic, termination of (i) all agreements between the parties pertaining to the Area Representative Business of the franchise granted by this Agreement, and (ii) all other contracts between the parties relating to any studio franchise or other area representative business; provided, however, Company's termination of this Agreement based on Area Representative's failure to meet the Development Quotas shall result only in the termination of this Agreement, but not the concurrent, and automatic, termination of any other contract between the parties. Area Representative shall comply with any additional obligations set forth in the other contracts applicable upon their termination or expiration.

16.4.2. In any proceeding in which the validity of termination of this Agreement is at issue, Company shall not be limited to the reasons set forth in any notice of default or termination given to Area Representative.

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

17.1. Area Representative's Obligations. On and after termination or expiration of this Agreement, Area Representative agrees to comply with the following duties:

17.1.1. Within ten (10) days following termination or expiration of this Agreement, Area Representative shall pay all fees and other amounts owed to Company and Company's Affiliates under this or any other contract between such parties relating to any franchise or area representative business, including, without limitation, late charges and interest on any late payments. When termination is based upon Area Representative's default, Area Representative shall also pay to Company all damages, costs and expenses, and reasonable attorneys' fees, incurred by Company in enforcing the default and termination. Area Representative's payments

shall be accompanied by final reports and financial statements covering the period through the date of termination or expiration of this Agreement.

17.1.2. Area Representative shall immediately cease using and, within forty-eight (48) hours after termination or expiration of this Agreement, deliver to Company the Manual and all other confidential or proprietary materials that Company has provided to Area Representative pursuant to this Agreement; all advertising materials and all other manuals, forms, franchise disclosure documents, franchise sales brochures, and other materials pertaining to the sale of Franchises in the Territory or otherwise identifying or relating to the sale or service of L.A. Bikini Studio franchises; and all proprietary software and supporting documentation, if any; and shall retain no copy or record of any of the foregoing. Continued use by Area Representative of any copyrighted material shall constitute willful copyright infringement by Area Representative.

17.1.3. Area Representative shall permanently cease using, in any manner whatsoever, the Proprietary Marks, Confidential Information, and any other property associated with the L.A. Bikini System or which suggest or indicate that Area Representative is, or was, an authorized L.A. Bikini area representative or authorized agent of Company with respect to the sale of franchises in the Territory or otherwise, or continues to remain associated with Company or the L.A. Bikini System. Area Representative shall cancel all advertising and promotional activities which associates Area Representative with the L.A. Bikini System. Continued use by Area Representative of any of the Proprietary Marks or Confidential Information shall constitute willful trademark infringement and unfair competition by Area Representative.

17.1.4. Area Representative shall immediately deliver to Company all past and present franchise sales leads and records and all contracts, acknowledgements of receipt, and other information and records related to the offer and sale of Franchisees of Company in the Territory.

17.1.5. Area Representative shall refrain from communicating in any manner with Franchisees concerning Company or obligations arising from this Agreement or the Franchise Agreement, except as expressly authorized by Company.

17.1.6. Area Representative shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company and its officers, directors, shareholders, employees and agents.

17.1.7. Area Representative shall take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to its use of the Proprietary Marks.

17.1.8. If Area Representative maintains a separate office (as opposed to a home office) and uses in the Business a separate or dedicated telephone or facsimile line (as opposed to a home telephone or facsimile line or a personal cellular telephone used for other purposes), Area Representative shall cease using the separate or dedicated telephone or facsimile line numbers and listings used in operating the Area Representative Business and take all steps necessary to remove all telephone, business directory, and social media listings that display any of the Proprietary Marks. Area Representative shall furnish Company with evidence satisfactory to Company demonstrating Area Representative's compliance with this obligation within ten (10)

days after termination or expiration of this Agreement. Company shall have the right to demand an assignment of any such separate and dedicated telephone and facsimile numbers and listings, in which case Area Representative hereby consents to the assignment, without compensation, effective on the date of termination or expiration.

17.1.9. For a period of two (2) years after the termination or expiration of this Agreement, neither Area Representative nor any of the Bound Parties shall have any direct or indirect interest, whether as an owner (either of record or beneficial), investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, in a Competitive Business which is located anywhere within the Territory or within a 25-mile radius from any L.A. Bikini Studio located anywhere in the United States regardless of whether the L.A. Bikini Studio opens before or after the termination or expiration date and is owed by a franchisee, Company or an Affiliate of Company.

17.1.10. Area Representative and each of the Bound Parties shall comply with the covenants set forth in this Agreement and any Confidentiality, Non-Disclosure and Non-Competition Agreement that they sign forbidding the use of Confidential Information.

17.1.11. Area Representative shall keep and maintain all business records pertaining to the business conducted at the Area Representative Business for seven (7) years after termination or expiration of this Agreement. During this period, Area Representative shall permit Company to inspect such business records as frequently as Company deems necessary.

17.2. No Further Right to Payment. Upon expiration or termination of this Agreement, Area Representative shall have no claim for a refund of any of any monies that Area Representative has paid to Company or Company's Affiliates and shall be paid all commissions fully earned by Area Representative for the period to the date of expiration or termination, but shall have no right to commissions thereafter. For purposes of this Agreement, (i) "fully earned" Sales Commissions mean Sales Commissions due on franchise sales for which all conditions described in this Agreement have been satisfied, and (ii) "fully earned" Royalty Commissions Fees shall mean those Royalty Fees which accrue up through the date of expiration or termination which are otherwise owed to Area Representative. Company shall immediately assume control of and manage all pending franchise sales in the Territory.

17.3. Continuing Obligations. All obligations of Company and Area Representative and the Bound Parties that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to termination or expiration of this Agreement until they are satisfied in full. Area Representative shall remain fully liable for any and all obligations of the Area Representative Business, whether incurred before, or after, termination or expiration of this Agreement, including, without limitation, obligations arising under this Agreement and obligations owed to third parties including, without limitation, salaries to employees and taxes.

17.4. Third Party Rights; Available Remedies. No person acting for the benefit of Area Representative's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Area Representative's assets or business shall have the

right to assume Area Representative's obligations under this Agreement without Company's prior consent. Company's right to terminate this Agreement shall not be its exclusive remedy in the event of Area Representative's default, and Company shall be entitled, in its sole discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of an Area Representative's default and obtain damages arising from the default, injunctive relief to compel Area Representative to perform its obligations under this Agreement or to prevent Area Representative from breaching this Agreement, and any other remedy available under applicable law.

## **18. RELATIONSHIP OF THE PARTIES**

18.1. Relationship of the Parties. It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that the parties are independent contractors, that Company appoints Area Representative as its special agent for a particular purpose, and that nothing in this Agreement is intended to make either party a general agent, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose. Area Representative understands and agrees that as the independent owner of the Area Representative Business, Area Representative is in sole control of all aspects of its operation, and shall conduct its business using its own judgment and discretion, subject only to the provisions of this Agreement. Area Representative shall conspicuously identify itself in all dealings with Franchisees, prospective franchisees, lessors, contractors, suppliers, public officials, and others as the owner of its own business operating under a license from Company subject to the terms of this Agreement and shall place the notices of independent ownership on signs, forms, stationery, advertising, and other materials as required by Company.

18.2. Payment of Third Party Obligations. Neither Company nor Area Representative shall make any express or implied agreements, guaranties, or representations, or incur any debt, in the name or on behalf of the other or represent that their relationship is other than that of franchisor and special agent, respectively. Except as otherwise agreed to in a writing executed by both parties, neither Company nor Area Representative shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized under this Agreement. Company shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of Area Representative's Business, unless (and then only to the extent) caused by Company's negligent or willful action or failure to act.

18.3. Independent Contractors. Area Representative may delegate its performance of Sales Services under this Agreement to independent contractors provided that Area Representative first receives written approval from Company and complies with all state laws which require broker or other registrations for such persons. Company reserves the right at any time to withdraw the approval of any independent contractor engaged by Area Representative.

18.4. Indemnification. Area Representative agrees to indemnify and reimburse Company and Company's Affiliates, and their respective stockholders, directors, officers, employees, agents, and assignees (collectively the "Indemnified Parties") for, and hold the Indemnified Parties harmless against, any loss, liability, taxes, or damages (actual or consequential) and all

reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses), which any of them may suffer, sustain, or incur by reason of, arising from, or in connection with any acts, omissions, or activities of Area Representative or any of its employees or independent contractors except (and then only to the extent) caused by the Indemnified Party's negligence or willful action or failure to act. Each Indemnified Party may retain independent counsel to defend any such claim against it at Area Representative's expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Company agrees to indemnify, hold harmless defend and reimburse Area Representative as well as its stockholders, directors, officers, employees, agents, and assignees, for any loss, liability or damages (actual or consequential) and all reasonable costs and expenses of defending any claim arising out of any failure by Company to create, update, furnish and, where applicable, register a franchise disclosure document fully compliant with federal and state laws and regulations.

## **19. PERSONAL GUARANTY**

19.1. Scope. If Area Representative is a corporation, LLC or other business entity, each person who owns or at any time during the Term acquires, either legally or beneficially, ten percent (10%) or more of the equity or voting interests of Area Representative shall furnish any financial information reasonably required by Company and execute Company's form of personal guaranty attached to this Agreement as Exhibit B.

19.2. Default. An event of default under this Agreement shall occur if any guarantor fails or refuses to deliver to Company, within ten (10) days after Company's written request: (i) evidence of the due execution of the personal guaranty, and (ii) current financial statements of guarantor as may from time to time be requested by Company.

## **20. DISPUTE RESOLUTION**

20.1. Agreement to Mediate Disputes. Except as provided in subsection 20.2 of this Agreement, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to a mediation proceeding conducted in accordance with the procedures stated in this agreement.

20.1.1. Either party may initiate the mediation proceeding (the "Initiating Party") by notifying the other party in writing. The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will jointly pick one mediator who will conduct the mediation in his usual and customary manner.

20.1.2. The mediation will be conducted by a single mediator, who must be either a practicing attorney with experience in business format franchising or a retired judge. To be

qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the mediation service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

20.1.3. The mediation conference shall take place within thirty (30) days after selection of the mediator. Regardless of whether Company or the undersigned is the Initiating Party, the mediation shall be conducted at Company's headquarters, unless the parties agree upon a mutually acceptable alternative location.

20.1.4. At least seven (7) days before the first scheduled session of mediation, each party shall deliver to the mediator and to the other party a concise written summary of its position with respect to the matters in dispute and the Initiating Party's claims for relief, and such other matters required by the mediator.

20.1.5. The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations and decision shall not be binding on the parties.

20.1.6. During the mediation conference, the mediator may have joint and separate meetings with the parties and their counsel, at the mediator's discretion. The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of four (4) hours of mediation as required by this subsection, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

20.1.7. Notwithstanding subsection 20.1.6 the parties agree that the mediation conference shall continue for at least four (4) hours and be held on one day, if possible; if not, then over two consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than four (4) hours.

20.1.8. If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement (including, without limitation, for breaching the conditions of subsection 20.1.6 the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: the mediator's fees and costs, the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with this subsection the breaching party shall forfeit any right to recover its attorneys' fees and

costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

20.1.9. At the mediator's discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

20.1.10. The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

20.2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

20.2.1. Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writ of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this Agreement.

20.2.2. Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under any Addendum to Lease with tenant.

20.3. Arbitration.

20.3.1. The parties agree that (i) all disputes and controversies arising out of or relating to this Agreement which are not resolved by negotiations or mediation, and (ii) all claims covered by the mediation exception, 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 Center are subject to and will be resolved exclusively by arbitration conducted in accordance with the Commercial Rules and Regulations of the American Arbitration Association.

20.3.2. 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.

20.3.3. 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 one hundred thousand dollars (\$100,000), 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.

20.3.4. All arbitration hearings will take place exclusively in Birmingham, Alabama. Company and Area Representative, 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. Company and Area Representative 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.*

20.3.5. 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 Company or Area Representative or their officers, directors, shareholders or owners, and Company, Area Representative 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 Company and Area Representative. 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.

20.3.6. The following disputes between Company and Area Representative will not be subject to arbitration: (a) Area Representative's misuse of the Proprietary Marks or the System; (b) the obligations of Area Representative upon termination or expiration of this Agreement; (c) the sale, transfer or assignment of this Agreement; and (d) Area Representative's violation of the provisions of this Agreement relating to confidentiality or covenants not to compete.

20.3.7. All evidence, testimony, records documents, findings, decision, judgments and awards pertaining to any arbitration hearing between Company and Area Representative will be confidential in all respects. Company and Area Representative 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.

20.3.8. Company and Area Representative 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.

20.4. Choice of Law. Except when this Agreement calls for the application of Local Laws, the parties agree that Alabama law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern. The parties agree that the implied covenant of good faith and fair dealing applies to each of them in carrying out the terms and conditions of this Agreement.

20.5. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year after the later of (a) the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability, or (b) the date on which the party knew or, should have reasonably known of the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation proceeding which is initiated before the last day of the limitations period, and such toll shall commence on the date the Responding Party receives the Initiating Party's demand for mediation and continue until the date the mediation is concluded.

20.6. Punitive or Exemplary Damages. Company and Area Representative, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

## 20.7. Attorney's Fees.

20.7.1. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

## 21. ACKNOWLEDGEMENTS

Area Representative understands and agrees and represents to Company, to induce Company to enter into this Agreement, that:

21.1. Acceptance of Conditions. Area Representative has read this Agreement and Company's Offering Circular and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Company's standards of service and quality and the uniformity of those standards at all L.A. Bikini Area Representative Business in order to protect and preserve the L.A. Bikini System and the goodwill of the Proprietary Marks;

21.2. Independent Investigation. Area Representative has conducted an independent investigation of the business contemplated by this Agreement. Area Representative recognizes that the L.A. Bikini System may evolve and change over time; that an investment in this franchise involves business risks; and that the success of the investment depends upon Area Representative's business ability and efforts;

21.3. Reliance. Area Representative has not received or relied upon any promise or guaranty, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement;

21.4. No Representations: Status of Area Representative.

21.4.1. No representations have been made by Company, Company's Affiliate or their respective officers, directors, shareholders, employees or agents, that are contrary to statements made in the FDD previously received by Area Representative or to the terms contained in this Agreement; and

21.4.2. Area Representative (if an individual) or each person executing a guaranty of Area Representative's obligations, is a United States citizen or a lawful resident alien of the United States; if Area Representative is a corporation, LLC, partnership or other business entity, it shall remain duly organized and in good standing for as long as this Agreement is in effect and it owns the franchise rights; and all financial and other information provided to Company in connection with Area Representative's application is true and correct and no material information or fact has been omitted which is necessary in order to make the information disclosed not misleading.

## 22. MISCELLANEOUS

### 22.1. Notices.

22.1.1. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of (i) the date when delivered by hand; (ii) one business day after delivery to a reputable national overnight delivery service; or (iii) four (4) business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested.

22.1.2. All notices shall be addressed as follows:

If to Company:

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

If to Area Representative:

22.1.3. Either party may change its address for receiving notices by appropriate written notice to the other.

22.1.4. All payments and reports required to be delivered to Company shall be directed to Company at the above address.

22.1.5. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment or report not actually received by Company during regular business hours on the date that it is due shall be deemed delinquent.

22.1.6. Area Representative shall maintain an active e-mail account and e-mail address with an established internet service provider. Area Representative shall keep Company informed of its current email address. Area Representative shall at all times manage its e-mail account so that it does not become full or otherwise incapable of accepting new messages. All communications required or permitted to be given by Company to Area Representative hereunder may be given via e-mail and shall be deemed duly given on the earlier of (i) the business day transmitted if sent prior to 2:00 p.m. (Central Time) on that day, or (ii) one business day after the date it is transmitted if sent at or after 2:00 p.m. (Central Time).

22.2. Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

22.3. Withholding of Consent. Except where this Agreement expressly obligates Company to reasonably approve or not unreasonably withhold its approval of any action or request by Area Representative, Company has the absolute right to refuse any request by Area Representative or to withhold its approval of any action by Area Representative. Further, whenever the consent or

approval of Company is required under this Agreement such consent or approval must be in writing unless this Agreement specifies otherwise.

#### 22.4. Waiver.

22.4.1. Any waiver granted by Company to Area Representative excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Company to Area Representative or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing.

22.4.2. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's discretion to take action of any kind, or not to take action, with respect to Area Representative. Any waiver granted by Company to Area Representative shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative.

22.4.3. No delay on the part of Company in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

22.4.4. Company's acceptance of any payments made by Area Representative after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Area Representative of any term, covenant or condition of this Agreement.

#### 22.5. Paragraph Headings; Language.

22.5.1. The paragraph headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

22.5.2. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Company or Area Representative. The term "Area Representative" as used herein is applicable to one or more persons, corporations, partnerships or entities, as the case may be, and the singular usage includes the plural and the masculine and neuter usage include the other and the feminine. If two or more persons are at any time Area Representative hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Company shall be joint and several.

22.5.3. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or business entity not a party hereto.

22.6. Binding on Successors. The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs and personal representatives of the parties hereto.

#### 22.7. Validity: Conformity With Applicable Law.

22.7.1. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

22.7.2. To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall be deemed to be automatically amended to conform them to the provisions of such applicable law.

22.7.3. To the extent any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited or length of time, but could be enforceable by reducing any or all thereof, the parties agree that the provision shall be enforced to the fullest extent permissible under the laws of the jurisdiction in which enforcement is sought.

22.8. Amendments. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and executed: (i) on behalf of Area Representative, by Area Representative if Area Representative is an individual, and, if not, by an authorized agent or officer of Area Representative; and (ii) on behalf of Company, by any duly authorized officer of Company.

22.9. Complete Agreement. This Agreement, including all exhibits attached hereto, and all agreements or documents which by the provisions of this Agreement are expressly incorporated herein or made a part hereof, sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

22.10. Covenant and Condition. Each provision of this Agreement performable by Area Representative shall be construed to be both a covenant and a condition.

22.11. Submission of Agreement. The submission of this Agreement to Area Representative does not constitute an offer to Area Representative, and this Agreement shall become effective only upon execution by Company and Area Representative.

22.12. Risk: Success of Area Representative Business. Area Representative acknowledges that (1) he/she/it understands the risks of owning a business and specifically the risks of owning and operating an area representative business for L.A. Bikini franchises, and (2) that Area Representative is able to bear such risks. Area Representative understands that the success of the Area Representative Business will depend primarily on his/her/its efforts and ability and those of Area Representative's employees. Area Representative agrees to work hard and use his/her/its best efforts to operate the Area Representative Business profitably. Area Representative acknowledges that other factors beyond Company's or Area Representative's control will affect

the Area Representative Business' success, including but not limited to competition, demographic patterns, consumer trends, inflation, labor costs, lease terms, market conditions, and other conditions which may be difficult to anticipate, assess or even identify. Area Representative recognizes that some L.A. Bikini studios may fail and some will fail in the future. Area Representative understands that its success will depend substantially on the Franchise Locations chosen. Area Representative acknowledges and agrees that Company's approval of the Franchise Locations does not guarantee the Area Representative Business' success and the Area Representative Business may lose money or fail.

### 22.13 Multi-State Addenda

Attached as Exhibit D 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.

### 23. WAIVER OF JURY TRIAL

COMPANY AND AREA REPRESENTATIVE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR AREA REPRESENTATIVE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE PROPRIETARY MARKS OR L.A. BIKINI SYSTEM BY AREA REPRESENTATIVE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date stated on page 1.

Franchisor:  
LAB Holding Company, LLC  
an Alabama limited liability company

By: \_\_\_\_\_  
Name: Clay Haley  
Its: Member  
Dated: \_\_\_\_\_

Area Representative:

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Exhibit D  
Territory Location

(Exhibit A to Area Representative Agreement)

**RIDER TO AREA REPRESENTATIVE AGREEMENT  
BETWEEN LAB HOLDING COMPANY, LLC AND \_\_\_\_\_  
DATED: \_\_\_\_\_**

1. Territory. The Territory is the following geographic area: \_\_\_\_\_.
2. Initial Area Marketing Fee. Except as otherwise provided in this Rider, the Initial Area Marketing Fee is the following:

For the \_\_\_\_\_ [territory]: \$ \_\_\_\_\_

The Initial Area Marketing Fee will be paid as follows:

- a. \$ \_\_\_\_\_ upon the Effective Date of the Area Representative Agreement.
- b. The remaining \$ \_\_\_\_\_ will be paid by withholding by Company from the Area Representative's Sales Service Commission, in an amount of \$ \_\_\_\_\_ where the Initial Franchise Fee paid by the Franchisee is \$ \_\_\_\_\_, and in amount of \$ \_\_\_\_\_ where the Initial Franchise Fee paid by the Franchisee is at the discounted rate of \$ \_\_\_\_\_.

3. Development Quotas. Area Representative shall meet the following Development Quota(s):

Territory:

3.1. \_\_\_\_\_

Number of L.A. Bikini Studio(s) that Area Representative must have completed construction of improvements and have open for business:

4. Special Rules.

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

Franchisor:  
LAB Holding Company, LLC  
an jury limited liability company

By: \_\_\_\_\_  
Name: Clay Haley  
Its: Member

Area Representative:  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: Member

Exhibit E  
Guaranty

## EXHIBIT B TO AREA REPRESENTATIVE AGREEMENT

### GUARANTY

In consideration of the execution by LAB Holding Company, LLC (“Franchisor”) of the L.A. Bikini Area Representative Agreement dated the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ between Franchisor and \_\_\_\_\_ (“Area Representative”) (the “Area Representative Agreement”), and for other good and valuable consideration, including Franchisor’s execution of or consent to the transfer of the Area Representative 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 Area Representative Agreement and in any other agreement(s) by and between Area Representative 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 Area Representative Agreement and any other agreement(s) by and between Area Representative 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 Area Representative Agreement and any other agreement(s) by and between Area Representative 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 Area Representative Agreement may be amended, compromised, released or otherwise altered by Franchisor and Area Representative, and the undersigned do guarantee and promise to perform all the obligations of Area Representative under the Agreement as so amended, compromised, released or altered, (b) any guarantor of or party to the Area Representative 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 Area Representative may be exercised, not exercised, impaired, modified, limited, destroyed or suspended, and, (d) Franchisor or any other person may deal in any manner with Area Representative, any of the undersigned, any party to the Area Representative Agreement or any other person.

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

Area Representative, signatory to the Area Representative Agreement or any others of the undersigned.

Notice to or demand upon Area Representative or any of the undersigned shall be deemed notice to or demand upon Area Representative 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 Area Representative, or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Area Representative Agreement, or under any other agreement(s) between Franchisor and Area Representative, 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 Area Representative Agreement or any other agreement(s) by and between Area Representative 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 Area Representative Agreement.

Dated \_\_\_\_\_

\_\_\_\_\_  
(Signature)

Exhibit F  
Confidentiality/Non-Compete Agreement

## EXHIBIT C TO AREA REPRESENTATIVE AGREEMENT

### NAME OF AREA REPRESENTATIVE

\_\_\_\_\_  
(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 an Area Representative 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 an area representative 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 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 for a 12-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) Engage in or become interested in the same or substantially similar business as Company within a fifteen (15) mile radius of the Company's Center or any other L.A. Bikini Centers, 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. 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 complied 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 damaged (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)

(Print Name)

Dated \_\_\_\_\_

COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_

Exhibit G  
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 H  
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

	<b>ASSETS</b>		
		<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>			
Cash		\$ 208,225	\$ 132,714
Other Current Assets		<u>84</u>	<u>-</u>
Total Current Assets		<u>208,309</u>	<u>132,714</u>
 <b>OTHER ASSETS:</b>			
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>
 <b>TOTAL ASSETS</b>		 <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**

	<u>340,982</u>	<u>177,782</u>
--	----------------	----------------

**TOTAL LIABILITIES AND MEMBERS' EQUITY**

	<u>\$ 937,351</u>	<u>\$ 628,459</u>
--	-------------------	-------------------

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
<b>REVENUE:</b>		
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
 <b>OPERATING EXPENSES:</b>		
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
 <b>OPERATING INCOME (LOSS)</b>	 257,245	 109,653
 <b>OTHER INCOME (EXPENSE):</b>		
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)
 <b>NET INCOME (LOSS)</b>	 163,200	 56,342
 <b>MEMBERS' EQUITY - BEGINNING OF YEAR</b>	 177,782	 (59,446)
 <b>CAPITAL CONTRIBUTIONS</b>	 -	 180,886
 <b>MEMBERS' EQUITY - END OF YEAR</b>	 \$ 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Acquisition of Debt	10,726	-
Capital Contributions from Members	-	180,886
Net Cash from Financing Activities	10,726	180,886
<b>NET INCREASE IN CASH</b>	75,511	5,170
<b>CASH, BEGINNING OF YEAR</b>	132,714	127,544
<b>CASH, END OF YEAR</b>	\$ 208,225	\$ 132,714
 <b>RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING ACTIVITIES:</b>		
<b>NET INCOME</b>	\$ 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
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ 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		175,254
Total		<u>\$ 578,193</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:

	Gross Amount	Accumulated Amortization
Start-up Costs	\$ 25,552	\$ 12,492
Website Development	14,044	14,044
	\$ 39,596	\$ 26,536

**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 SOUTHBIDGE 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
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 132,714	\$ 127,544
Total Current Assets	132,714	127,544
<b>OTHER ASSETS:</b>		
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
<b>TOTAL ASSETS</b>	<b>\$ 628,459</b>	<b>\$ 453,262</b>
<b>LIABILITIES &amp; MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
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
<b>OTHER LIABILITIES:</b>		
Contract Liabilities, net of Current Portion	379,974	445,138
Total Other Liabilities	379,974	445,138
<b>TOTAL LIABILITIES</b>	450,677	512,708
<b>MEMBERS' EQUITY</b>	177,782	(59,446)
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 628,459</b>	<b>\$ 453,262</b>

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
<b>REVENUE:</b>		
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
<b>OPERATING EXPENSES:</b>		
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
<b>OPERATING INCOME (LOSS)</b>	109,653	(13,329)
<b>OTHER INCOME (EXPENSE):</b>		
Other Income (Expense)	8,000	-
Contract Investment Amortization	(59,253)	(36,119)
Intangible Amortization	(2,058)	(2,058)
	(53,311)	(38,177)
<b>NET INCOME (LOSS)</b>	56,342	(51,506)
<b>MEMBERS' EQUITY - BEGINNING OF YEAR (See Note 1)</b>	(59,446)	(9,474)
<b>CAPITAL CONTRIBUTIONS</b>	180,886	1,534
<b>MEMBERS' EQUITY - END OF YEAR</b>	\$ 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital Contributions from Members	180,886	1,534
Net Cash from Financing Activities	180,886	1,534
<b>NET INCREASE IN CASH</b>	5,170	91,811
<b>CASH, BEGINNING OF YEAR</b>	127,544	35,733
<b>CASH, END OF YEAR</b>	\$ 132,714	\$ 127,544
 <b>RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING ACTIVITIES:</b>		
<b>NET LOSS</b>	\$ 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)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ (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>
<b>ASSETS:</b>			
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>
<b>LIABILITIES AND MEMBERS' EQUITY:</b>			
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>
<b>REVENUE:</b>			
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>
<b>EXPENSE:</b>			
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>
<b>OPERATING INCOME (LOSS)</b>	<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>
<b>NET INCOME (LOSS)</b>	<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>\$ 445,138</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 I  
State Specific Addenda  
To Disclosure Document and to  
Area Representative Agreement

**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 contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides 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 contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires 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 restricting venue to a forum outside the State of California.

The franchise agreement requires application of the laws of Alabama. This provision may not be enforceable under California law.

The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision 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](http://www.mylabikini.com)

OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://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.

**ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT  
and AREA REPRESENTATIVE AGREEMENT**

**FOR THE STATE OF ILLINOIS**

Illinois law governs the Agreements.

Payment of Initial 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 Area Representative Agreement for LAB Holding Company, LLC is amended as follows:

Sections 14.3.4, 14.5.3.7, 14.10.2, 15.2.5, 15.5.2, and 17.1.6 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 Area Representative Fee following a termination of the Area Representative that is intended to require Area Representative to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.

Sections 7, 15, 16, and 17 are amended to add:

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

Section 20.05 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 Area Representative 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 Area Representative of a written notice disclosing the violation, whichever shall first expire.

Sections 11.4, 20.3.4, and 20.4 are amended to add:

The Area Representative Agreement shall be governed by Illinois Law. Jurisdiction and venue for court litigations shall be in Illinois. Any provision in the Area Representative Agreement that

designates jurisdiction or venue in a forum outside the State is void; provided, that aN Area Representative Agreement may provide for arbitration in a forum outside of Illinois.

Section 23 is deleted in its entirety.

2. Any condition, stipulation, or provision purporting to bind any person acquiring any Area Representative 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.

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

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

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

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

AREA REPRESENTATIVE:

\_\_\_\_\_  
(type/print name)

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

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

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

**EXHIBIT D TO AREA REPRESENTATIVE 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 21.2, 21.3, 21.4.1, and 22.12 of the Area Representative Agreement are deleted in their entirety.

**FOR CALIFORNIA AREA REPRESENTATIVES ONLY (PLEASE SEE SECTION 22.13 OF THE AREA REPRESENTATIVE AGREEMENT):**

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

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

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

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

AREA REPRESENTATIVE:

\_\_\_\_\_  
(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 Area Representative Agreement agree as follows:

Section 20.05 is 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 Area Representative 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 14.3.4, 14.5.3.7, 14.10.2, 15.2.5, 15.5.2, and 17.1.6 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 9.4.5 is amended to add that as required by Minnesota Franchise Act, Franchisor shall reimburse Area Representative for any costs incurred by Area Representative in the defense of Area Representative's right to use the Marks, so long as Area Representative 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 Area Representative's rights to use the Marks.

Sections 11.5 and 20.2.1 are amended to provide that Franchisor is entitled only to seek an injunction or other equitable relief. Sections 11.5 and 20.2.1 are further amended to add that a court will determine if a bond is required.

Section 20.05 of the Area Representative Agreement shall be amended to provide that no action may be commenced pursuant to the Area Representative 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 Area Representative to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or Area Representative Agreement can abrogate or reduce (1) any of Area Representative's rights as provided for in Minnesota Statutes, Chapter 80C or (2) Area Representative's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**FOR MINNESOTA ARE REPRESENTATIVES ONLY (PLEASE SEE SECTION 22.13 OF THE AREA REPRESENTATIVE AGREEMENT):**

ACKNOWLEDGED AND AGREED:

FRANCHISOR:

LAB HOLDING COMPANY, LLC

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

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

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

AREA REPRESENTATIVE:

\_\_\_\_\_

(type/print name)

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

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

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

Exhibit J  
State Effective Dates

### **State Effective Dates**

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	<del>July 24</del> <a href="#">August 13, 2020</a> <del>2021</del> , renewal pending
Illinois	April 21, 2021, <a href="#">renewal pending</a>
Indiana	September 24, <del>2020</del> <a href="#">2021, renewal pending</a>
Michigan	April 30, 2021, <a href="#">renewal pending</a>
Minnesota	May 26, 2021, <a href="#">renewal pending</a>

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

Exhibit K  
Receipts

**RECEIPT**

**(Retained by Prospective Area Representative)**

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 Agencies                | G. General Release        |
| B. Agents for Service of Process         | H. Financial Statements   |
| C. Area Representative Agreement         | I. State-Specific Addenda |
| D. Territory                             | J. State Effective Dates  |
| E. Guaranty                              | K. Receipts               |
| F. Confidentiality/Non-Compete Agreement |                           |

\_\_\_\_\_  
Date (Do not leave blank)  
Representative

\_\_\_\_\_  
Signature of Prospective Area

\_\_\_\_\_  
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)**

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.

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| D. Territory                             | J. State Effective Dates  |
| E. Guaranty                              | K. Receipts               |
| F. Confidentiality/Non-Compete Agreement |                           |

\_\_\_\_\_  
Date (Do not leave blank)  
Representative

\_\_\_\_\_  
Signature of Prospective Area

\_\_\_\_\_  
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](mailto:clay@mylabikini.com).

