

FRANCHISE DISCLOSURE DOCUMENT



HCF USA1, LLC
a Delaware limited liability company
2875 NE 191 Street, Suite 905
Aventura, Florida 33180
Telephone: (305) 709-3545
E-mail: franchise@haircuttery.com
Website: www.haircuttery.com

A franchisee operating under our system will operate a hair and beauty salon (“**Salon**”) using our marks (such as “**Bubbles**”).

The Initial Franchise Fee for each Salon is \$35,000. The estimated total initial investment for a single Salon may range from \$392,042 to \$647,642. The estimated initial investment includes \$63,250 to \$78,500 payable to us or to our Affiliates.

We also offer to enter into Development Agreements with qualified parties who wish to establish an agreed-upon number of Salons in an agreed-upon area. The Development Fee is \$17,500 for each Salon developed under the same Development Agreement. In lieu of an Initial Franchise Fee, at the time you sign each Franchise Agreement to open a new Salon under the terms of the Development Agreement, you will pay a Development Franchise Fee equal to \$17,500.

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

You may wish to receive your Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our EVP, President of Franchising at 2875 NE 191 Street, Suite 905, Aventura, Florida 33180 (tel: (305) 709-3545).

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date of this Franchise Disclosure Document: **January 4, 2022.**

How to Use This Franchise Disclosure Document

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

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

Some states 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 requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida than in your own state.
2. The franchise agreement and the development agreement state that Florida law governs the agreement, and this law may not provide the same protection and benefit as local law. You may want to compare these laws.
3. We have the right to bring certain actions, claims and suits in the federal or state court for the district where our principal executive office is located. It may cost you more to litigate with us in our state than in your home state.
4. **Spousal Liability.** Your spouse may be required, to sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both you and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails. Your spouse will also be liable for any breach of any restrictive covenants defined in the Franchise Agreement.

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.

Effective Date: See **Exhibit I** for State-Specific Effective Dates, where applicable.

FRANCHISE DISCLOSURE DOCUMENT

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The prospective buyer of a *BUBBLES* Salon franchise will be referred to throughout this Franchise Disclosure Document as “**you**”, even if you are a corporation, partnership, or other entity. If you are a partnership, corporation, trust or other entity, the term “**you**” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “**franchisee**”, and it also means the shareholders of the corporation, partners of the partnership, members, managers of the limited liability company, beneficial owners of a trust, and their spouse, where applicable, who must sign the Guarantee, Indemnification and Acknowledgement attached as **Attachment B** to the Franchise Agreement.

HCF USA1, LLC (“**us**”, “**our**” or “**we**”) is the franchisor. We maintain our principal place of business at 2875 NE 191 Street, Suite 905, Aventura, Florida 33180 (tel: (305) 709-3545).

We are a Delaware limited liability company formed on October 7, 2021. We conduct business under the name and mark “Bubbles” but we do not conduct business under any other name.

We franchise the right to operate hair and beauty salons under the Bubbles trademark and operating system (each, a “**Salon**” or “**Bubbles Salon**”). We began to offer Bubbles Salon franchises in the U.S. in 2021, when this Franchise Disclosure Document was issued. We do not own or operate any Salons. We also offer “Hair Cuttery” franchises through a separate disclosure document. We do not offer franchises in any other line of business and do not engage in any business activity other than the franchising and operation of Salons using the “Bubbles” name and marks and salons using the “Hair Cuttery” name and marks.

Our agents for service of process are listed in **Exhibit A** to this Franchise Disclosure Document.

Our Parent, Predecessors and Affiliates

Parents

We are a wholly-owned subsidiary of HC Salon Holdings, Inc. (“**HC Holdings**”), a Delaware corporation incorporated on April 7, 2020, which is a subsidiary of RTO Intermediate Holdings, LLC (“**RTO Intermediate**”), a Delaware limited liability company, formed on September 16, 2021, which in turn is a subsidiary of RTO Silver Bullet, LLC (f/k/a Tacit Salon Intermediate Holdings, LLC) (“**RTO**”), a Delaware limited liability company formed on April 29, 2020, which in turn, is a subsidiary of S1 Salon Holdings, LLC (f/k/a Tacit Salon Holdings, LLC) (“**S1 Salon Holdings**”), a Delaware limited liability company formed on April 2, 2020. As of the date of this Franchise Disclosure Document, HC Holdings operated a total of 15 Bubbles Salons (“**Affiliate Owned Salons**”) and 491 salons under the *Hair Cuttery* name and mark, all of which were acquired in Bankruptcy from the Predecessor Companies on June 4, 2020. HC Holdings has never offered or sold franchises in any other line of business. RTO Intermediate, RTO and S1 Salon Holdings do not directly own or operate any Bubbles Salons nor do any of them offer franchises in any line of business.

Predecessors.

Our predecessor, Creative Hairdressers, Inc. (“**CHI**”) opened the first Hair Cuttery salon in Springfield, Virginia in 1974. CHI, along with its subsidiary, Ratner Companies, L.C. (“**Ratner**” and, collectively with

CHI, the “**Predecessor Companies**”) grew to be the largest privately-owned and operated hair salon business in the United States. In March 2020, as a result of government orders relating to COVID-19 Pandemic, CHI closed all of its active Bubbles and Hair Cuttery salon locations. The Predecessor Companies filed for bankruptcy protection on April 23, 2020. Our parent, HC Holdings, acquired substantially all of the assets of the Bubbles System and Hair Cuttery system on June 4, 2020, including the Bubbles and Hair Cuttery trademarks and related intellectual property assets of the Bubbles System and Hair Cuttery system and assets and leases of 15 Bubbles Salons and 496 Hair Cuttery salons, pursuant to a Bankruptcy Court Order dated June 2, 2020. All other Hair Cuttery salon locations not assumed by HC Holdings were closed by the Predecessor Companies. (See Item 4 below).

Affiliates:

Our affiliates, HC Salon FL, LLC, HC Salon NC, LLC, HC Salon WV, LLC, HC Salon IN, LLC, HC Salon IL, LLC, HC Salon NJ, LLC, HC Salon PA, LLC, HC Salon DE, LLC, HC Salon VA, and HC Salon MD, LLC, all of which are Delaware limited liability companies formed in May 2020 (collectively, the “**Salon Leasehold Companies**”) hold certain leasehold interests in the Affiliate Owned Salons (See, description of our “**Predecessors**” above). None of the Salon Leasehold Companies have ever offered franchises in any line of business.

Our Affiliate, HC Salon Brand Holdings, LLC, a Delaware limited liability company formed on May 20, 2020 (“**Brand Holdings LLC**”). Brand Holdings LLC owns the Bubbles trademarks and licenses such marks to us for use in the System.

Our Affiliate, HC Salon Product Holdings, LLC, a Delaware limited liability company formed on May 20, 2020 (“**Product Holdings LLC**”). Product Holdings LLC owns the intellectual property for the CIBU branded proprietary hair products and licenses such intellectual property to us for use in the System.

Our Affiliate, HC Salon Ad Fund, LLC, a Delaware limited liability company formed on October 4, 2021 (“**Ad Fund LLC**”). Ad Fund LLC manages the System’s Brand Fund.

Our Affiliate, HC Salon Support Services, LLC, a Delaware limited liability company formed on October 4, 2021 (“**Support Services LLC**”). Support Services LLC may provide certain services to you and other franchisees in support of the operation of your Bubbles Salon.

Our Affiliate, HC Salon Development Services, LLC, a Delaware limited liability company formed on October 4, 2021 (“**Development Services LLC**”). Development Services LLC provides services to you and other franchisees in the site selection, design and construction of your Bubbles Salon(s).

Affiliate, HC Salon Product Distribution, LLC, a Delaware limited liability company formed on October 6, 2021 (“**Product Distribution LLC**”). Product Distribution LLC provides services related to the purchase and distribution of products to you and other franchisees for use in your Bubbles Salon(s).

For the purposes of this FDD, our affiliates, HC Holdings, Brand Holdings LLC, Product Holdings LLC, Ad Fund LLC, Support Services LLC, Development Services LLC and Product Distribution LLC are sometimes referred to, collectively as our “**Affiliates**”. None of our Affiliates own or operate any Bubbles Salons nor have any of them offered franchises in any line of business.

The principal business address of HC Holdings, the Salon Leasehold Companies, RTO Intermediate, RTO and our Affiliates is 8281 Greensboro Drive, Suite 320, McLean, VA 22102. The principal business address of S1 Salon Holdings is 8281 Greensboro Drive, Suite 320, McLean, VA 22102.

Franchise Rights Offered

Salons operated under the “Bubbles” Marks and System will offer a full complement of hair styling, hair cutting, hair coloring, hair texturizing and related hair care services (together, the “**Services**”) and the retail sale to customers of related professional hair care and styling products and tools (“**Hair Care Products**”). Among the Hair Care Products are products that are proprietary to us and to our Affiliates, which may include shampoos, conditioners and other hair and beauty treatments that are manufactured or prepared according to our specifications and formulas and which we may designate for use and/or for sale in Salons, including products bearing the “**CIBU**” marks (“**Proprietary Products**”). We may periodically adjust the list of Proprietary Products to include other hair and beauty-care items. Additionally, we may specify that only certain Hair Care Products that we designate may be used in providing Services to customers in Salons (“**Back Bar Products**”) and/or offered for retail sale to customers in Salons (“**Retail Products**”). You must purchase all Back Bar Products, Retail Products and Proprietary Products used and/or sold at your Salon only from us, from our Affiliates, or our designees. Franchises will be offered to qualified individuals or investment groups, a background in haircare, wellness, fitness, health or other franchise business, including restaurants and other hospitality or significant independent experience is a plus, but not a prerequisite.

Franchise Agreement

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified business organizations and persons that wish to establish and operate a Salon. Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Salon at an agreed-upon specified location (“**Authorized Location**”). A copy of our current form Franchise Agreement, together with attachments, is attached to this Franchise Disclosure Document as **Exhibit D**. Unless otherwise defined in this Franchise Disclosure Document, all initially capitalized terms appearing in this Franchise Disclosure Document have the same meaning as set out in the Franchise Agreement included as **Exhibit D**.

Development Agreement

If you have purchased an agreed upon number of Salons from HC Holdings we may also offer to enter into a multi-unit development agreement (“**Development Agreement**”) with you or an affiliate of yours (“**Developer**”) that will grant you the right and obligation to develop an agreed-upon number of additional Salons within a specific geographic area (“**Development Area**”). A copy of our current form Development Agreement is attached to this Franchise Disclosure Document as **Exhibit E**. An important part of the Development Agreement is a development schedule (“**Development Schedule**”), which spells out the number of Salons that you agree to have open and operating by certain benchmark dates. Each Salon that you develop will be opened and operated under the terms of a separate and then-current form Franchise Agreement for that Salon.

Salons

Each Salon offers a full menu of Services and Hair Care Products to guests in a building or portion of a building that bears our trade dress (both interior and exterior). Salons are operated in accordance with our system (“**System**”). Some of the features of our System are a distinctive interior and exterior design and equipment layouts and specifications; Proprietary Products; operational procedures; quality and uniformity of Services and Hair Care Products offered; procedures for management and inventory control; technical training involving cutting and coloring techniques for Services; and marketing programs; all of which we may periodically change, improve, and further develop.

You must operate your Salon according to our standards and procedures, as described in our Confidential Operating Manual (“**Manual**”). We will allow you access to the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark “**Bubbles**” and any other trade names and marks that we designate in writing for use with the System (“**Proprietary Marks**”).

Industry-Specific Regulations

You must comply with all local, state, county and federal laws that apply to your Salon operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. For example, you must obtain real estate permits (such as zoning), real estate licenses, and operational licenses. There are also regulations that pertain to the operation, maintenance and sanitation of hair and beauty salons. For example, the operation and management of a hair salon is subject to a variety of laws and regulations. These laws exist at the state (and some at the local) level. Most states require a salon operator’s license for each Salon, as well as professional licenses for hair stylists and other individuals who provide hair cutting, texturing, styling, hair coloring, or skin care services to the public. You and your employees must comply with these licensure requirements at all times. You will also need to obtain permits and approvals required in your locality for your Salon to offer Salon Services. You must also comply with all applicable federal, state, and local laws and regulations during the operation of your Salon, including obtaining all required business and tax licenses. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Salon operation.

Competition

You can expect to compete in your market with locally owned, and national and regional chain and franchised hair and beauty salons, including the Affiliate Owned Salons and salons operating under the “*Hair Cuttery*” trademarks and system owned by our Affiliates. All of these businesses may compete with the Hair Care Products and Services offered at a Salon. You may also compete with any other business that directly offers affordable hair care services and those that lease suites and/or chairs to licensed hair stylists who, in turn, offer hair care services and/or products to the public from those venues. The market for these products and services is well established and highly competitive. Businesses like ours compete on the basis of many factors, such as service quality, price, location, atmosphere, product quality, product appearance, cleanliness, and promotions and marketing programs. These businesses are often affected by other factors as well, such as changes in economic conditions, seasonal population fluctuation, consumer taste, and travel patterns. You can and should expect customers to buy our Proprietary Products from other sources (for example, from online stores such as Amazon, our website and retail stores) and you will compete with other sellers of these branded products, including us and/or our Affiliates.

ITEM 2

BUSINESS EXPERIENCE

The following is a list of directors, principal officers, and other executives who have management responsibilities for the operation of our business relating to the franchises described in this Franchise Disclosure Document. The principal occupation and business experience of each person, during the past five years, including the names and locations of prior employers, are described below. Unless otherwise indicated, the location of the employer, is Aventura Florida.

President & Chief Executive Officer: Seth Gittlitz

Mr. Gittlitz has been our President & Chief Executive Officer since our formation on October 4, 2021. He has also served as President, Chief Executive Officer and Director of our Parent, HC Holdings in McLean, Virginia since June 2020. Since September 2019 Mr. Gittlitz has also been the CEO of S1 Salon Holdings. Prior to that, Mr. Gittlitz was Chief Financial Officer of Major Food Group in New York City from June 2015 to August 2019.

Executive Vice President, President of Franchising: Eric A. Bakken

Mr. Bakken has been our Executive Vice President, President of Franchising since December 2021. From May 2013 until April 2017, Mr. Bakken served as Chief Administrative Officer of Regis Corporation. From April 2017 until December 2020, Mr. Bakken served as President of Franchise of Regis Corporation.

Vice President of Expansion and Development: Azhar Quader

Mr. Quader has been our Vice President since our formation on October 4, 2021. He has also served as Chairman of the Board of our Parent, HC Holdings, in McLean, Virginia since June 2020. Since January 2009, Mr. Quader has served as the Chief Investment Officer of Queens Court Capital Partners, LLC in New York City. Prior to that, Mr. Quader served as Managing Director, Head of Private Convertibles for Advent Capital Management in New York City from August 2016 to December 2018.

Vice President & General Counsel: Bradley Hansen

Mr. Hansen has been our Vice President and General Counsel since our formation on October 4, 2021. He has also served as Vice President, Secretary and General Counsel of our Parent, HC Holdings, in McLean, Virginia since July 2020. Prior to that, Mr. Hansen was Associate General Counsel of our Predecessor, Ratner Companies, L.C. in Vienna, Virginia from November 2007 until July 2020.

Vice President & Chief Financial Officer: Christopher Conover

Mr. Conover has been our Vice President and Chief Financial Officer since our formation on October 4, 2021. He has also served as Vice President, Treasurer and Chief Financial Officer of our Parent, HC Holdings, in McLean, Virginia since July 2020. Prior to that, Mr. Conover was Managing Director, Office of the CFO Solutions of FTI Consulting, Inc. in Washington, D.C. from April 2019 to July 2020, and Chief Financial Officer of Comstock Holdings Companies, Inc., from January 2012 to October 2018.

Vice President of Real Estate Development: Miguel Durand

Mr. Durand has been our Vice President of Real Estate Development since our formation on October 4, 2021. He has also served as Vice President of Facilities and Construction Development of our Parent, HC Holdings, in McLean, Virginia since October 2021. Prior to that, Mr. Durand was Senior Director of Facilities, Design and Construction Development of HC Holdings. Prior to that Mr. Durand was Senior Director of Facilities and Construction of our Predecessor, Ratner Companies, L.C. in Vienna, Virginia from October 2014 until July 2020.

Vice President and Chief Technology Officer: Timothy Lemieux

Mr. Lemieux has been Vice President of and Chief Technology Officer of our Parent, HC Holdings, in McLean, Virginia since July 2020. Prior to that, Mr. Lemieux was Senior Vice President and Chief

Information Officer of our Predecessor, Ratner Companies, L.C. in Vienna, Virginia from July 2004 until July 2020.

Vice President and Chief Marketing Officer: Lilly Minkove

Ms. Minkove has been Vice President and Chief Marketing Officer of our Parent, HC Holdings, in McLean, Virginia since September 2020. Prior to that, Ms. Minkove was the founder of ArtLogica Strategu Group, LLC, in Washington, D.C. from February 2012 to September 2020.

Vice President of Human Resources: Gustavo Serbia

Mr. Serbia has been Vice President of Human Services of our Parent, HC Holdings, in McLean, Virginia, since July 2020. Prior to that, Mr. Serbia was Vice President of Human Resources at the Millenia Companies in Cleveland, Ohio, from February 2018 to June 2020 and Vice President of Human Resources at Crescent Hotels and Resorts in Fairfax, Virginia, from January 2016 to January 2018.

Vice President of Salon & Support Operations: Dana Kleifges

Ms. Kleifges has been Vice President of Salon & Support Operations of our Parent, HC Holdings, in McLean, Virginia, since June 2020. Prior to that, Ms. Kleifges was Director of Operations of our Predecessor, Ratner Companies, L.C. in Vienna, Virginia, from January 2018 to June 2020. Prior to that, Ms. Kleifges was Regional Director at Charming Charlie in Houston, Texas, from May 2012 to December 2018.

Senior Director of Merchandising: Andrew Rotteveel

Mr. Rotteveel has been our Senior Director of Merchandising since our formation on October 4, 2021. He has also serves as Senior Director of Merchandising & Planning of our Parent, HC Holdings, in McLean, Virginia since April 2021. Prior to that, Mr. Rotteveel was Director of Strategy & Analysis for Walmart, Inc. in Hoboken, New Jersey from February 2019 to January 2021. Prior to that Mr. Rotteveel was Director of Planning and Operations for Urban Outfitters in Philadelphia, Pennsylvania from May 2006 to September 2015.

Director of Learning and Development: Heather Owens

Ms. Owens has been our Director of Learning and Development since our formation on October 4, 2021. She also serves as Director of Learning and Development of our Parent, HC Holdings, in McLean, Virginia since July 2020. Prior to that Ms. Owens was a training professional with Ulta Salons in Chicago, Illinois from April 2010 to May 2017 and with Ratner Companies, L.C. in Vienna, Virginia from May 2017 to July 2020.

Director of Technical Training: Steven Waldman

Mr. Waldman has been our Director of Technical Training since our formation on October 4, 2021. He also serves as Artistic, Technical Director and Product Consultant of our Parent, HC Holdings, in McLean, Virginia since July 2020. Prior to that Mr. Waldman was a training professional with Matrix, a division of L'Oreal in Washington, D.C. from February 1996 to September 2018, and with Ratner Companies, L.C. in Vienna, Virginia from September 2018 to July 2020.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

On April 23, 2020, our predecessors, CHI and Ratner (“**Debtors**”), filed voluntary petitions under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (as amended, the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the District of Maryland (“**Bankruptcy Court**”), which cases are being jointly administered under Case Nos. 20-14583 and 20-14584-TJC (collectively, the “**Chapter 11 Proceeding**”) and styled as *In re Creative Hairdressers, Inc., et al.*

As part of the Chapter 11 Proceeding, HC Holdings agreed to purchase substantially all of the Debtors’ assets pursuant to section 363 of the Bankruptcy Code, which included the Bubbles and Hair Cuttery trademarks and related intellectual property assets of the Bubbles System and Hair Cuttery System and the leasehold interests of 495 Hair Cuttery salons and 15 Bubbles Salons then open and operating.

On June 2, 2020, the Bankruptcy Court entered an Order (i) Approving and Authorizing the Sale of Substantially All of Debtors’ Assets Pursuant to the Amended and Restated Asset Purchase Agreement, Free and Clear of All Liens, Claims, Encumbrances and Other Interests, (ii) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Related Thereto, and (iii) Granting Related Relief [ECF No. 465] (“**Sale Order**”). The sale to HC Holdings closed effective June 4, 2020.

Except as set forth in the Sale Order, the Bankruptcy court expressly held that HC Holdings was not considered a successor to the Debtors, did not *de facto* or otherwise, merge with or into the Debtors, was not a continuation or substantial continuation of any of the Debtors or their respective estates, businesses or operations, or any enterprise of the Debtors, and did not have a common identity of incorporators, directors or equity holders with the Debtors.

Except as set forth above, no person previously identified in Items 1 or 2 of this Franchise Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code, or under the laws of foreign nations relating to bankruptcy, required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

The initial franchise fee (“**Initial Franchise Fee**”) for an individual Salon is \$35,000, payable when you sign the Franchise Agreement. The Initial Franchise Fee must be paid in a lump sum, is not refundable for any reason, and will be fully earned when you sign the Franchise Agreement. Our Initial Franchise Fee is uniformly applied in the manner described above. Before we issued this Franchise Disclosure Document, we had not yet granted any franchises.

Development Fee

If you wish to acquire the right to develop multiple Salons, you will have to sign a Development Agreement and pay us a non-refundable, lump sum development fee (“**Development Fee**”) when you sign the Development Agreement. The Development Fee is currently \$17,500 for each Salon to be developed under the Development Agreement. At the time you sign each Franchise Agreement to open a new Salon under the terms of the Development Agreement, including the Franchise Agreement for the first Salon, you will pay a development franchise fee (“**Development Franchise Fee**”) equal to \$17,500. You must sign the then-current form Franchise Agreement for each Salon that you develop under the Development Agreement, the first of which must be signed at the same time the Development Agreement is signed. The Development Fee is fully earned by us when you sign the Development Agreement and will not be refunded for any reason, even if you don’t open any of the Salons committed to be developed under the Development Agreement.

We will discuss with you, and determine by mutual agreement, the number of Salons that you will be required to develop under a Development Agreement, which will vary based on a number of factors such as: (1) population; (2) demographic characteristics of the surrounding area; (3) parking; (4) availability of licensed cosmetologists in the trade area, to the extent such information is available; (5) anchor tenant(s); (6) location and surrounding area foot and vehicle traffic patterns; (7) available ingress and egress from location; and (8) lease and term provisions.

The development fee is calculated in a uniform manner but may not be the same absolute number for all developers, because of differences in how many Salons a developer may agree can be developed within a particular Development Area.

Pre-Opening Inventory and Supplies from Us or our Affiliates

As described further in Items 7 and 8, you must purchase from us or our Affiliates all Back Bar Products and Retail Products (including Proprietary Products) necessary to open your Salon. We estimate that the purchase of these items needed for a typical Salon will range from \$25,000 to \$33,000. You may also be required to purchase certain other miscellaneous, non-haircare related supplies from us that you may need in order to open your Salon, including printed materials, cleaning supplies, etc.). We estimate that the purchase of these additional items needed for a typical Salon will range from \$500 to \$1,000.

Development Services Fee and Site Evaluation Fee

As described further in Item 7, prior to opening each of your first three Salons, you must pay us or our Affiliate a fee in the amount of \$6,000 (“**Development Services Fee**”) for certain site selection assistance, design, development and management services relating to your plans, construction work and opening of your Salon (“**Development Services**”). We will not provide the Development Services and will waive the Development Services Fee for all Salons that you develop beginning with your fourth (4th) Salon, unless either (i) you request that we or our Affiliate provide the Development Services in connection with the development of any such subsequent Salon or (ii) we determine, in our sole judgment, that you cannot develop such subsequent salon without us or our Affiliate providing the Development Services. You must also pay us a separate Site Evaluation Fee of \$500 for each site that request that we value for your proposed Salon. You must also pay us a separate Site Evaluation Fee of \$500 for each site that request that we value for your proposed Salon.

Training Fees

As described further in Items 6 and 11, prior to opening your first Salon you must pay us a total fee of \$2,000 for all required initial training programs, including (i) \$1,000 for our New Franchisee Orientation Program, and (ii) \$1,000 for our Salon Training Program.

Grand Opening Marketing Fee:

As described further in Items 6 and 11, within 90 days prior to opening your first salon in each DMA you must pay us a Grand Opening Marketing Fee in the amount of \$2,500 for us to develop a template Grand Opening Marketing Program for Salons to be opened in that DMA.

None of the above fees or payments costs are refundable to you under any circumstances.

We do not regularly finance or allow installment payments for any of the above fees or other payments. Financing alternatives may be available to qualified candidates from outside financing sources only upon our express approval and consent.

Franchisee Conference/Meeting Fees:

As noted in Item 11 below, we may require that you attend periodic local, regional and/or national franchisee conference or meetings that we specify. We may charge registration or similar fees for these events, whether or not you choose to attend such events, which may include a proportionate share of our out-of-pocket expenses for hosting any such events. Since we have had no such events as of the date of this Franchise Disclosure Document, the actual fees for such events are still to be determined.

ITEM 6

OTHER FEES

(Please review this table in conjunction with all of the notes that follow.)

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Sales per week (see Note 2)	By Tuesday of each Week, based on the Gross Sales for the previous Week.	Note 1; Note 2
Brand Fund Contribution	Currently 2.5% of Gross Sales per week	Same as Royalty	Subject to annual increases up to 5% of Gross Sales per week. Note 2

Type of Fee (Note 1)	Amount	Due Date	Remarks
Required Local Advertising Expenditure	Currently 0.0% of Gross Sales per week. Total Brand Fund Contribution and required Local Advertising Expenditure may not exceed 5% of Gross Sales in any week	Spent by you directly, in your local market (subject to credits for amounts contributed to the Brand Fund).	Note 2
Grand Opening Marketing Fee	\$2,500	90 Days before Opening First Salon in each DMA	Note 2
New Franchisee Orientation Program (“NFOP Fee”)	Currently \$1,000 for up to three individuals to attend NFOP Training	Generally paid two weeks before training begins	The NFOP training fee does not include any travel, lodging, meals, incidental or equipment expense incurred by you or your staff. (Note 3)
Salon Training Program Fee (“Salon Training Fee”)	Currently \$1,000 for up to three individuals to attend the Salon Training Program	Generally paid two weeks before training begins	The Salon Training Program fee does not include any travel, lodging, meals, incidental or equipment expense incurred by you or your staff. (Note 3)
Train the Trainer Training Program (“TTT Fee”)	Currently \$1,000 for up to three individuals to attend the Train The Trainer Training Program	Generally paid two weeks before training begins	The TTT program fee does not include any travel, lodging, meals, incidental or equipment expense incurred by you or your staff. (Note 3)
District Leader Training Program (“DLT Fee”)	Currently \$1,000 for up to three individuals to Attend the District Leader Training Program	Generally paid two weeks before training begins.	The DL Training Fee does not include any travel, lodging, meals, incidental or equipment expense incurred by you or your staff. (Note 3)
Additional On-Site Training or Assistance	Current fee is \$500 per trainer, per day	Generally paid two weeks before training begins	This fee is for any training or assistance that the franchisee requests that is provided on-site at the franchisee’s unit. (Note 4)

Type of Fee (Note 1)	Amount	Due Date	Remarks
Training for Additional and Replacement Employees	Current training fee is \$1,000 per person.	Generally paid two weeks before training begins	This fee is for any people the Franchisee wants the Franchisor to train over and above the number of initial trainees (before the unit opens), or if a franchisee requests that the Franchisor provide the full initial training program to a new or replacement employee at some point during the operation of the unit. (Note 4)
On-Going Training	Currently \$500 per Salon, per On-Going Training Session.	Within 10 days of an invoice from us	We may require you (or your Managing Principal), your Salon Leaders, and/or other previously trained and experienced employees to attend and complete to our satisfaction various training courses that we periodically choose to provide at the times and locations that we designate. The registration fee will cover the registration of all employees of a Salon for the specific training program, meeting, or conference. (Note 4)
HC Technology Platform Fee	\$250 to \$500 per Salon per month.	On the first Tuesday of each month	Payable each month for access to the HC Technology Platform.
Franchisee Meetings and/or Conferences	Our Then-Current Fee as identified in the Manual	Within 30 days of receipt of invoice	If we host any local, regional and/or national meetings or conferences, we may charge you either a registration fee or a proportionate share of our costs. You will be required to include certain stylists from each Salon to these events and will incur additional costs to bring these valued team members. These costs must be covered by you at your expense.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Finder's Fee	\$50,000 or 25% of total consideration	Close of escrow or transfer	You only have to pay if you engage Us to identify a buyer for your Salon. (Note 5)
Interest on Late Payments	18% or highest amount allowed by law on the overdue payment	On demand	Payable only on overdue amounts, from the date originally due to the date when all principal and interest has been fully paid. Late amounts owing in excess of 30 days are considered a default under our agreement. (Note 6)
Late Fee	\$100 per occurrence	On demand	Payable if any amount due is not fully paid on time.
Audit Costs If the audit reveals an understatement of any amount due to the Franchisor, the franchisee must pay the understated amount plus interest/late fee. If the audit reveals an understatement of Gross Sales of 2% or more, the franchisee must reimburse the full costs of the audit.	Greater of \$10,000 or cost of Audit	On demand	Audit costs and expenses are payable only if we audit because you did not submit sales statements or keep books and records, or if sales are underreported by 2% or more. If there is an underpayment, you will also have to pay interest on the underpayment - see "interest" above. (Note 7)
Indemnification	Will vary under circumstances	As incurred	Note 8.
Securities Offering Fee	\$20,000, or our actual expenses, whichever is more	On demand	If you make a public or private securities offering, you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering. You also must indemnify us (see above).

Type of Fee (Note 1)	Amount	Due Date	Remarks
Liquidated Damages	Will vary under circumstances (Note 9)	On demand	If the Agreement is terminated because of your default, you must pay us liquidated damages. See Note 9 for calculation.
Site Evaluation Fee	\$500	Within 10 days of an invoice from us	You will be required to pay this fee for certain site selection technology assistance for each site you ask us to evaluate. (Note 10)
Supplier/Product Inspection Fee	\$10,000	Upon request to consider.	Due in advance of our consideration. (Note 11)
Required On-going Purchase of Hair Care Product	An amount equal to the previous 30 days' purchases	Within 10 days of an invoice from us	You will make these payments when we or our Affiliates supply Back Bar Products and/or Retail Products.
Relocation Costs	Reasonable costs we incur, plus a reasonable fee for our services, in connection with any relocation of your Salon	Within 10 days of receiving our invoice	Payable if we consent to your proposal to relocate your Salon to a new site acceptable to us that meets our then-current site selection criteria.
Transfer Fee (Per Salon)	Greater of \$10,000 or 25% of the then current Initial Franchise Fee	At the time of transfer	Payable upon completion of the transfer.
Successor Franchise Fee	Greater of \$10,000 or 25% of the then-current Franchise Fee for each five year renewal term.	At the time you sign each successor franchise agreement	Must be paid if you wish to acquire successor franchise rights.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Insurance Costs	Varies	On demand	If you fail or refuse to obtain and maintain the insurance we specify, we may obtain the insurance for you and the Salon on your behalf, in which event you must reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining the insurance.
Attorney's Fees and Costs	Varies	On demand	Payable only if you default under the Franchise Agreement. If so, you must reimburse us for our costs (including attorneys' fees) in enforcing or terminating the Franchise Agreement.
Recurrent inspection	Time plus expenses	On demand	Charged only when we have to make additional trips to your Salon to correct a violation which was not corrected upon returning for the second inspection, or where additional training is required.

You will pay the following fees under the Development Agreement:

Type of Fee	Amount	Due Date	Remarks
Transfer Fee (Multi-Unit Development Agreement)	25% of the then current franchise fees for each unit transferred.	Franchisor will not approve the transfer until this fee is paid in full.	Payable upon completion of the transfer.
Indemnification	Will vary under circumstances	As incurred	Note 8

Type of Fee	Amount	Due Date	Remarks
Attorney's Fees and costs	Varies	On demand	Payable only if you default under the Development Agreement. If so, you must reimburse us for our costs (including attorneys' fees) in enforcing or terminating the Development Agreement.

NOTES:

- (1) General. Except as otherwise noted, we or our Affiliates impose and collect all fees described above. For all fees and charges, you must use the payment method we designate, which may include electronic funds transfer. All fees paid to us or our Affiliates are non-refundable. Fees paid to third-party vendors may be refundable under specified circumstance. We reserve the right, in certain circumstances, to waive some or all of these fees for a particular franchisee or Salon.

We have the right to adjust, for inflation, all fixed dollar amounts under the Franchise Agreement, once a year, according to the Index. The term “**Index**” means the Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics (“**BLS**”). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

“**Gross Sales**” means all revenue that you derive from operating the Salon, including all Services and Hair Care Products sold, all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, redeemed gift card, redeemed stored value card or other credit transactions, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and actually paid to the appropriate taxing authority, and (2) reduced by the amount of any documented refunds, credits, allowances, and charge-backs the Salon in good faith gives to customers.

- (2) Royalty, Brand Fund Contribution, Local Advertising Expenditure and Grand Opening Marketing. The Royalty Fee and the required contribution to the systemwide Brand Fund (“**Brand Fund Contribution**”) are payable on Tuesday of each Week for the preceding Week (each “**Week**” will start on Monday and end on the following Sunday). These fees will be collected by automatic bank draft each week from your account for the entire term of your Franchise Agreement, starting when you open your Salon. If you fail to report Gross Sales, we will be authorized to debit your bank account in an amount equal to the amount transferred from your account for any Week that we choose (including your highest grossing sales) for which a report of Gross Sales of the Salon was provided to us. As noted in Item 11, we have the right to increase the amount of the Brand Fund Contribution from 2.5% to up to 5%, in annual increments of up to one half of one percent (0.5%) of your Gross Sales (“**Annual Brand Fund Increase**”) after either (i) a limited period test of the Annual Brand Fund Increase (“**Marketing Test**”) in a test market that we select (“**Test Market**”) that we determine has been successful (“**Successful Marketing Test**”) or (ii) upon a vote of a majority of all Bubbles Salons operating in the United States (“**Approval Vote**”). The Annual Brand Fund Increase may be increased to more than 0.5% in any year upon an Approval Vote provided, however, the total amount of the Brand Fund Contribution may never exceed 5.0% of Gross Sales during the term of the Franchise Agreement.

We have the right to use collection agents and institute legal proceedings to collect the Royalty Fee, Brand Fund Contribution and other fees you are obligated to pay to us. We may, at any time, defer or reduce contributions of a Salon franchisee and, upon 30 days prior written notice to you, reduce or suspend the Brand Fund Contribution and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the system-wide Brand Fund.

In addition to the Brand Fund Contribution, and as discussed in Item 7 and Item 11, you must also conduct a Grand Opening Marketing Program for the opening of your Salon in an amount of \$10,000 to \$15,000, as we determine. You must also pay us a separate fee of \$2,500 (“**Grand Opening Marketing Fee**”) 90 days prior to opening your first Salon in each DMA for us to develop a template Grand Opening Marketing Plan for Salons to be opened in that DMA (“**Grand Opening Marketing Program**”).

As noted in Item 11, we reserve the right to require that you spend an amount on local advertising approved by us equal to a percentage of the monthly Gross Sales of the Salon that we determine, in our sole discretion (“**Minimum Local Advertising Expenditure**”), provided however, the total of the Minimum Local Advertising Expenditure and the Brand Fund Contribution shall not exceed five percent (5%) of the Gross Sales of the Salon in any week during the Term of this Agreement.

- (3) Training Fees. As described further in Items 5 and 11, prior to opening your first Salon your Managing Principal must attend our NFOP and you must pay us our then-current fee for all those attending NFOP (“**NFOP Fee**”). Additionally, prior to opening each Salon opening, your Managing Principal and the Salon Leader for that Salon must attend our Salon Training Program (“**Salon Training Program**”) and one additional employee may attend, and you must pay us our then-current fee for all those attending the Salon Training Program (“**Salon Training Fee**”). Within a reasonable period (but no more than 90 days) after opening your second Salon, at least one employee designated by you and approved by us must attend and successfully complete our Train The Trainer Program (“**TTT**”). You must pay our then-current fee for all those that attend TTT (“**TTT Fee**”). If you sign a Development Agreement with us, prior to opening your tenth (10th) Salon, at least one employee designated by you and approved by us must attend and successfully complete both our District Leader Training Program and TTT (collectively, “**DLT**”) and you must pay our then-current fee for all those attending DLT (“**DLT Fee**”). As of the date of this FDD, the NFOP Fee, Salon Training Fee, TTT Fee and DLT Fee were each \$1,000, for which you may send up to three individuals to attend the same session of such training program. If you want more than three people to attend the same session of any of these training programs or to a different session at a different time, we currently charge an additional fee of \$1,000 per person attending each such training program.

If your Salon Leader ceases active management or employment at the Salon, or if we disapprove the Salon Leader, then you must enroll a qualified replacement in the Salon Training Program within thirty 30 days. You agree to pay us our then-current training fee for each replacement Salon Leader that will attend the same the Salon Training Program session. Our current Training Fee for replacement Salon Leaders attending the Salon Training Program is \$1,000 per person. Payment must be made in full before the replacement training starts.

- (4) Additional Training and Expenses. For any training that we provide to you and your personnel, you are responsible for expenses incurred while they attend training, including salaries, benefits, travel, lodging, meals and other related expenses. We reserve the right to charge you for additional training, including repeat training or training of replacement personnel. The training fees may vary depending on the position the individual will serve in your Salon and the training that we require

for their respective positions. Additional details are in Item 11 of this Franchise Disclosure Document.

- (5) Finder's Fee. If you propose to assign any interest in your Franchise Agreement, we may offer our services to assist you in identifying a potential buyer. If you accept our finder's services, you must sign a finder's agreement ("**Finder's Agreement**") and pay a finder's fee ("**Finder's Fee**") equal to the greater of \$50,000 or 25% of the total consideration paid to you for the interest in the Salon, payable at the time that the sale is closed. This fee is in addition to any applicable assignment fee.
- (6) Interest. Interest starts to accrue when your payment was initially due. Interest rates will not exceed any maximum rate permitted by law.
- (7) Audit Costs. If audit costs are incurred at all, the amount will vary depending upon the charges from our auditors, legal advisors and other professionals. These costs will be based on the fees charged by these professionals, travel costs, the scope of the audit needed, the degree to which you cooperate in terms of providing information, and the time it takes the auditors to review your records.
- (8) Indemnification. You must indemnify us and our Affiliates, and reimburse us for our costs (including our attorneys' fees), if we or our Affiliates are sued or held liable in any case: (a) having anything to do with any securities offering you make; (b) your use of the marks (other than as we approve); (c) that has anything to do with a claim arising out of the operation of your Salon; (d) for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of the operation of your Salon or the license of any of our or our Affiliates' intangible property to you (whether required to be paid by us or our Affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our Affiliates for these taxes includes any income-type taxes which a state or local government imposes, currently or in the future, on us or our Affiliates' income which exceeds the rate of taxes levied on us by the state and local governmental authorities of our principal place of business.
- (9) Liquidated damages. If the Franchise Agreement is terminated due to your uncured default, then liquidated damages will be an amount calculated as follows: (a) the average of your Royalty Fees that were due for the last 12 months before our delivery of notice of default (or, if you were open for fewer than 12 months, the average over the number of months you had been operating before our delivery of notice of default); (b) multiplied by the lesser of 60 or the number of months remaining in the term of this Agreement.
- (10) Site Evaluation. You will be required to pay us a Site Evaluation Fee in the amount of \$500 to provide an analytical report for each proposed site you submit to us for review and approval. You must submit a site acceptance request form ("**Site Acceptance Request**" or "**SAR**") for each proposed site together with the Site Evaluation. Our current Site Acceptance Request form is attached to the Franchise Agreement in **Attachment G**.
- (11) Supplier/ Product Inspection Fee. This fee is for the Franchisor to evaluate and/or inspect any product or supplier that has not yet been approved by the Franchisor and that you request be evaluated.

ITEM 7

ESTIMATED INITIAL INVESTMENT

The following Chart describes your initial investment for a single, new Salon. Please read these charts together with the notes that follow.

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (Low-High)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (Note 1)	\$35,000	Lump Sum	When you sign the Franchise Agreement	Us
Leasehold Improvements/General Construction (including architectural, engineering expediting & permit fees) (Note 2)	\$147,565 to \$274,077	As Incurred	Before you open your Salon	Landlord, Architects, Suppliers & Contractors
Furniture Fixtures, and Equipment (Note 3)	\$142,267 to \$152,000	Lump Sum	Before you open your Salon	Suppliers
Signage (Note 4)	\$6,500 to \$12,000	Lump Sum	Before you open your Salon	Suppliers
Computer, Phone, Internet and Salon Radio System (Note 5)	\$4,660 to \$5,940	When ordered	Lump sum	Suppliers
Initial Inventory of Hair Care Products (Note 6)	\$25,000 to \$33,000	As Incurred	Before you open your Salon	Us or Other Suppliers
Miscellaneous Salon Supplies and Licenses (Printed Materials, Cleaning Supplies, etc.) (Note 7)	\$500 to \$1,000	As Incurred	Before you open your Salon	Us or Other Suppliers
HC Technology Platform Fee (Note 8)	\$750 to \$1,500	As Incurred	On the first Tuesday of each month	Us
Training Fees (Note 9)	\$2,000	Lump Sum	Generally due two weeks before training begins	Us

Type of Expenditure	Amount (Low-High)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Travel and Living Expenses For You and Your Employees During Training (Note 10)	\$2,000 to \$3,500	As Incurred	During Training	Airlines, Hotels & Restaurants
Legal/ Professional Fees (11)	\$2,500 to \$7,500	As incurred	As incurred	Attorney <i>I</i> Accountant / Business Advisor
Rent- Security and First Month Deposits (Note 12)	\$0 to \$10,500	Lump Sum	Before you open your Salon	Landlord & Suppliers
Utility Deposits (Note 13)	\$300 to \$500	Lump Sum	Before you open your Salon	Utility providers
Grand Opening Marketing Program and Grand Opening Marketing Fee (first 90 days) (Note 14)	\$10,000 to \$17,500	Lump Sum	Before you open your Salon	Suppliers
Insurance (Note 15)	\$3,000 to \$5,625	As Incurred	As Arranged	Insurance Company
Development Services Fee (Note 16)	\$0 to \$6,000	Lump Sum	Within 10 days of an Invoice from Us	Us (For your first three salons)
Additional Funds – Three Months (Note 17)	\$10,000 to \$80,000	Non-refundable as required	As Incurred	
TOTAL (Note 18)	\$392,042 to \$647,642	As Incurred	As Arranged	Employees, Suppliers & Utilities

NOTES:

None of the fees or costs estimated in this Item 7 are refundable except to the extent that you can negotiate those arrangements with vendors. Payments to us are not refundable.

We do not offer direct or indirect financing for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.

Notes to Table

- (1) Initial Franchise Fee. The details of the Initial Franchise Fee are described in Item 5, including the amount and the fact that the Initial Franchise Fee is non-refundable. The Initial Franchise Fee is currently \$35,000 for each Salon. If the Salon is developed under a Development Agreement a portion of the Development Fee, described in the following paragraph, may be applied to the Initial Franchise Fee. The Initial Franchise Fee must be paid in a lump sum upon execution of the Franchise Agreement for each Salon, is not refundable, and will be fully-earned when we receive it from you. See Item 5 for more details.

Development Fee. If you wish to sign a Development Agreement to develop multiple Salons, then you must pay us a non-refundable Development Fee in a lump sum when you sign the Development Agreement. The Development Fee is currently \$17,500 for each Salon to be developed under that Development Agreement. At the time you sign each Franchise Agreement to open a new Salon under the terms of the Development Agreement, including the Franchise Agreement for the first Salon which must be signed at the time the Development Agreement is signed, you will pay a Development Franchise Fee equal to \$17,500. The Development Fee is fully earned by us when you sign the Development Agreement and will not be refunded for any reason, even if you don't open any of the Salons committed to be developed under the Development Agreement. We have not provided an additional chart for the Development Agreement because your estimated initial costs for a Development Agreement are the same as (or, in virtually all cases) or less than the costs (on a per-franchise basis) as those listed in this chart for an individual franchise.

- (2) Leasehold Improvements. You must modify your Salon location to meet our standards of decor established for Bubbles Salons (“**Leasehold Improvements**”). You may be adapting a location that was previously a hair salon or you may choose to build an entirely new salon in the premises. In some circumstances, with our consent, it may be possible to convert an existing free-standing building or a pre-existing facility into a Bubbles Salon as long as it conforms to all of our then-current standards. The costs for conversions are too individually variable to be realistically predicted. Costs of leasehold improvements may include, but are not limited to, architectural and engineering fees, building permit and inspection fees, demolition of existing improvements to the premises, construction of building shell (i.e., walls, ceiling, doors, storefront, etc.), ADA upgrades, electrical, lighting, plumbing, sanitary sewer, bathrooms, HVAC, prefabrication and installation of cabinetry, and other fixtures, floor covering, wall treatment, carpentry and related work and contractors' fees, and any other cost related to construction of your Bubbles Salon. Costs are likely to vary due to many factors (for example, the location and size of the Salon, the condition of any existing premises and any construction allowances granted by the landlord after negotiations), and may be much higher, if you wish to establish your Salon in an area where special requirements of any kind (such as historical designation, union labor, architectural, or preservation requirements) will apply. The costs of leasehold improvements, including architectural expenses, depending on the lease, may be amortized over the lease term thus increasing the rent, or the landlord may provide a tenant allowance for permanent leasehold improvements. Due to variable materials and labor costs, leasehold improvement costs cannot be estimated with precision. The estimates in the Chart assumes you pay the full cost of leasehold improvements before opening your Salon.

Bubbles Salons typically range in size from 1,400 to 1,800 square feet (minimum storefront 15-16'). Our estimate for leasehold improvement costs is based on the following parameters: a Salon that is 1,600 square feet with 12 to 14 Stations and costs ranging from \$92.00 to \$171.30 per square foot (before any tenant allowance from the Landlord, which typically ranges from \$10 to \$15 per square foot). The lower range assumes that the leased premises are delivered to Tenant in a “**Vanilla Box**” condition, with basic Bubbles mandated site work completed by the Landlord at its sole cost,

including demolition, HVAC, ductwork, plumbing, walls, ceilings, doors, etc. (“**Basic Site Work**”). The higher range assumes that the leased premises are delivered to Tenant in a “**Dark Shell**” condition, for which the Landlord will do little if any of the Basic Site Work. This will require a significantly higher tenant improvement allowance be negotiated for by the Franchisee.

- (3) Furniture, Fixtures & Equipment. This figure represents furniture, fixtures and equipment such as styling stations, shampoo stations, sinks, stylist chairs and shampoo chairs, color bar, reception station, retail display cases, washers, dryers, water heater, etc. that must be acquired before your salon opens. If purchased, the price to you will be as noted in the chart above. You may choose to lease some of the equipment, however, there is no formal leasing program available through us for salon equipment. You may purchase or lease the equipment from any approved supplier. The estimates provided assume cash payment for the equipment necessary to furnish a 12 to 14 station Salon. The amounts quoted assume cash payment but do not include freight or installation.
- (4) Signage. This figure represents the estimated cost for external Salon signage as permitted under your lease agreement for the premises. The higher range includes costs for a 2nd external Salon sign, blade or under canopy sign and a pylon sign at the center in which the Salon is located, if applicable.
- (5) Computer, Phone, Internet and Salon Radio System. This figure represents the computer system required to interface with the software used for the point-of-sale (“**POS**”) system, and our required in-salon radio system. You will also need to install a phone and a Wifi internet system sufficient to efficiently and effectively operate the guest and stylist mobile apps that we require as part of our System Standards. This estimate does not include any costs related to ongoing maintenance of these systems or license fees for use of software programs related to these systems.
- (6) Initial Inventory of Hair Care Products. This figure represents the cost of the initial inventory of Hair Care Products such as shampoo, conditioner, color and treatments that you will need to provide Services and for retail sale when you open your Salon. You will be required to purchase all Hair Care Products only from us or our Affiliates. We estimate that the range given will be sufficient to cover a supply for approximately three weeks following the opening of your Salon. The amounts quoted assume cash payment but do not include shipping.
- (7) Miscellaneous Salon Supplies and Licenses. This figure represents the cost of the initial Salon Supplies other than Hair Care Products, such as barbicide, towels, cleaning materials, miscellaneous hairstyling accessories, aprons, bags and packaging, point of purchase materials and displays, and office supplies that you will need to open and operate your Salon. You will be required to purchase all of these items only from approved, which may include us. We estimate that the range given will be sufficient to cover a supply for approximately 90 days following the opening of your Salon. The amounts quoted assume cash payment but do not include shipping.
- (8) HC Technology Platform Fee. This figure represents the cost of the total HC technology platform fee (“**HC Technology Platform Fee**”) payable to us for each Salon during the first three months of operation. The HC Technology Platform Fee will range from \$250 to \$500 per month for each Salon and will be payable on the first Tuesday of each month.
- (9) Training Fee. You, or your Managing Principal must attend our NFOP training before your first Salon opens. You or your Managing Principal, and your Salon Leader must attend our Salon Training Program before each of your Salons open. The training fee for each of these two training programs is \$1,000 for up to three to attend each program. The estimate above does not include amounts for transportation, lodging and meals (See Item 5), nor does it include wages, benefits, and other compensation during your staff’s attendance of the initial franchise training programs.

There is currently a fee of \$1,000 for each additional person (in excess of three) who attends the same session of either of these two training programs.

- (10) Training Expenses. The estimate provided for Travel and Living Expenses during NFOP and Salon Training Program is a general figure and will vary depending upon the number of people sent, accommodations available, distance traveled and a variety of other factors. The lower estimate described above approximates the cost for one person attending, while the higher estimate approximates the cost for two people attending.
- (11) Legal/Professional Fees. Our estimate is based on prevailing rates for attorneys in D.C. metro area for review and negotiation of franchise, lease and ancillary agreements/documents. These costs will vary depending on your location, scope of work and type of professionals retained.
- (12) Rent. Our estimate for rental costs is based on an assumption that the typical Salon occupies 1,400 to 1,800 sq. ft., with annual rent costs falling in the range of \$30 to \$35 per square foot. These figures may vary, of course, depending upon the landlord, the market in your area and type of shopping center. The rental cost is calculated at base rent, which does not include common area maintenance fees, real estate taxes or insurance (triple net) which may be charged on a monthly, quarterly or yearly basis. These triple net charges could range from \$2 to \$12 per square foot. There may also be percentage rent due under the lease depending on your negotiation with the landlord. The typical lease term is a five year lease with one option to renew for an additional five years. We anticipate that you will probably need to lease a space at least six to nine months in advance of the opening. The zero dollar estimate assumes that you pay no security deposit or pre-paid rent, but you may have to pay a security deposit equal to one month's rent and that you will have to prepay for one month of rent before you open for business. Therefore, the entire Item 7 chart assumes a maximum payment of two months' rent (security, plus the pre-opening period).
- (13) Utility Deposits. This figure reflects the estimated costs for various utility deposits.
- (14) Grand Opening Marketing. Advertising is essential to the successful operation of a Bubbles salon. As described in Item 6, we require that you contribute 2% of your weekly gross revenues to the Brand Fund. Additionally, advertising during the first three months is crucial to the eventual success of the salon. Therefore, (in addition to making your Brand Fund Contributions) we require that you must conduct a Grand Opening Marketing Program in conjunction with the Salon opening according to the plan that you develop, and we approve in writing. You must spend on the Grand Opening Marketing Program a minimum amount that we specify in the Franchise Agreement, which we expect to range from \$10,000 to \$15,000. You must complete the Grand Opening Marketing Program during the period from 30 days before, and until 60 days after, the Salon opens for business. These amounts will be paid to local media suppliers such as newspapers, radio, television or direct mail. We reserve the right to require that you deposit the funds with us to distribute as necessary to conduct the Grand Opening Marketing Program. As described in Items 5, 6 and 11, You must also pay us a separate Grand Opening Marketing Fee.
- (15) Insurance. You must maintain the minimum insurance coverage set forth in the Franchise Agreement. For all insurance, you must include us as additional insureds as well as furnish us with proof of that coverage every 12 months. Because insurance premiums vary greatly with companies and with business insurance packages, it is difficult to give an exact figure or even an approximate figure for the annual or monthly insurance costs. Insurance fees are paid to an insurance agency, person or entity chosen by you. The estimate is for the first three months of premium (assuming quarterly payments) for the policies required under the Franchise Agreement. See, Item 11 below for more information on required Insurance coverages.

- (16) Development Services Fee. As noted in Items 5 and 11, prior to opening each of your first three Salons, you must pay us or our Affiliate a Development Services Fee in the amount of \$6,000 for certain Development Services, including site selection assistance, design, development and management services relating to your plans, construction work and opening of your Salon. We will not provide the Development Services and will waive the Development Services Fee for all Salons that you develop beginning with your fourth Salon, unless either (i) you request that we or our Affiliate provide the Development Services in connection with the development of any such subsequent Salon or (ii) we determine, in our sole judgment, that you cannot develop such subsequent salon without us or our Affiliate providing the Development Services. You must also pay us a separate Site Evaluation Fee of \$500 for each site that request that we value for your proposed Salon.
- (17) Additional Funds. You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. You will need to have staff on-hand for at least 14 days before opening to prepare the Salon for opening, training, orientation, and related purposes. This will include a Salon Leader, a minimum of three stylists (which could include an Assistant Salon Leaders, if required by us). We estimate that you will need approximately 80 hours of staff time, at an average of \$10.00 to \$22.00 per hour, to get ready for your opening and for the first 60 days immediately following the Salon opening. If prevailing wage rates in your area change (for example, if the state or federal minimum wage is raised), your costs may be higher.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Salon; timing of your Salon opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

- (18) Total. We relied on our own business experience and the experience of our Parent, HC Holdings, in connection with the operation of the Affiliate Owned Salons within the United States, when preparing these figures. You should review these estimates on your own, preferably with legal, financial and business advisors of your own choosing.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To insure that the highest degree of quality and service is maintained, you must operate the Salon in strict conformity with the terms of the Franchise Agreement, you must:

- offer only those Services and sell only those Retail Products for which we have given our written approval;
- sell and offer for sale all of the Services and Retail Products that we require;
- in providing Services to customers and in the sale of Retail Products at the Salon, use only Hair Care Products approved or designated by us and the preparation standards and techniques that we specify in writing;
- not deviate from our standards and specifications, including our requirements concerning Services and Hair Care Products, unless you have received our prior written consent; and
- stop selling and offering for sale any Services or Retail Products that we at any time disapprove.

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

As indicated in Item 1 above, we have the right to designate certain Hair Care Products (including Proprietary Products) as Retail Products and/or as Back-Bar Products. We may limit Retail Products and Back-Bar Products to only Proprietary Products or third-party products that we designate. You may not offer for resale any Hair Care Products that we have designated as solely Back-Bar Products, and you also may not sell any products that we have not designated or approved as Retail Products.

Suppliers and Specifications.

You must purchase all Back Bar Products and Retail Products (including Proprietary Products) only from us, our Affiliates or suppliers that we designate.

You must purchase all other products, supplies, materials, and other products or services used at the Salon only from suppliers (including contractors, architects, manufacturers, distributors, and other sources) that we have approved in writing, which may include us. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors: whether the supplier can demonstrate, to our reasonable satisfaction, the ability to meet our then-current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System's needs promptly and reliably; and whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. You may not buy from any supplier that we have not yet approved in writing, and you must stop buying from any supplier who we later disapprove. As explained above, we have the right to designate only one supplier for certain items (such as distribution of products, etc.) in order to take advantage of marketplace efficiencies.

If you want to buy any products, supplies, services or any other items (except for Back Bar Products, Retail Products or Proprietary Products, which are discussed above and in Item 1) from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. As indicated in Item 6 above, either you or the proposed new supplier must pay us, in each instance, a fee in the amount of \$10,000 for the required inspection and tests related to the products, supplies and/or other items proposed for approval. We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and

administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. We reserve the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

Although the Franchise Agreement does not obligate us to notify you of our approval or disapproval of a supplier within a specified time, we estimate that we will notify you of approval or disapproval within thirty days of our receipt of your written request. This is only an estimate, and the actual approval time may be shorter or longer than thirty days; in any event, we will notify you in writing of supplier approval or disapproval within sixty days from our receipt of your written request.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval.

We may periodically establish distribution facilities, and we may designate these as approved (or required) manufacturers, suppliers, or distributors.

You must allow us or our agents, at any reasonable time, to remove samples of Hair Care Products used in or offered at your Salon, without payment, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Salon fails to conform to our specifications.

You agree not to install or permit anyone else to install at the Salon any vending machine, game, or coin operated device, unless we have given you our prior written consent to do so.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Salons in our system. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Hair Care Products (including Proprietary Products) and other products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the franchised network of Salons.

Our criteria for evaluating and approving proposed suppliers will not be made available to you. Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers.

Purchasing or Distribution Cooperatives and Purchase Arrangements. We may in the future negotiate purchasing arrangements (including price terms) with certain suppliers regarding various services and products. In doing so, we intend to seek to promote the overall interests of our franchise system and our interests as franchisor. Currently, there are no purchasing or distribution cooperatives in existence.

Supplier Rebates. We reserve the right to collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, “**Allowances**”) offered to us or to our Affiliates by manufacturers, suppliers and distributors based upon your purchases of Hair Care Products, and other goods and services, including but not limited to approved or designated technology suppliers. As of the Effective Date of this Franchise Disclosure Document we do not yet have any franchisees, so we have not yet received any Allowances as of the date of this Franchise Disclosure

Document. Some vendors may contribute to the cost of hosting an annual conference or area meeting for franchisees. In this case, we may accept the contribution and, if the contribution is in cash, we will deposit the contribution into the Brand Fund or reimburse ourselves for any expenses paid out of our general operating account for such conferences or meetings.

We first began offering franchises for Bubbles Salons as of the date of this Franchise Disclosure Document and, therefore, neither we nor any of our Affiliates have had any past revenue from the sale of Hair Care Products to franchisees.

Purchases from us or our Affiliates. At this time, we or our Affiliates are the only approved supplier for Back Bar Products and Retail Products (including Proprietary Products sold under the *CIBU* marks). You must also purchase your initial inventory of Back Bar Products and Retail Products from us or our Affiliates prior to opening your Salon.

Except for the items that are purchased from us or our Affiliates, none of our officers or directors owns an interest in any companies that are vendors or suppliers to our franchisees.

Computer System, In-Salon Radio System. We have the right to require you to purchase the computer, point-of-sale and in-Salon radio systems and required software that we specify. We currently require a minimum computer operating system to operate with the technology system we have implemented with our System, which integrates point-of-sale, inventory replenishment and payroll. The operating systems are described in more detail in Item 11, and the estimated costs are described in Item 5 and 7.

Insurance. Under the Franchise Agreement, you must obtain and maintain the following insurance:

- coverage against direct physical loss or damage to real and personal property, including improvements and betterments, for all-risk perils, including flood and earthquake if the relevant property is situated in a flood or earthquake zone, equal to at least 90% of the Salon's full insurable value;
- comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least one million dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate;
- commercial automobile liability insurance for bodily injury and property damage in the amount of One Million Dollars (\$1,000,000) per occurrence and in the aggregate;
- statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Salon is located. Such policy shall contain an "**Alternate Employer Endorsement**" including us as the "**alternate employer**" and include a Waiver of Subrogation in Favor of us.
- business interruption insurance to cover at least 12 months of the Salon's Gross Sales (or projected Gross Sales, as the case may be);
- commercial umbrella liability insurance with total liability limit of at least Two Million Dollars (\$2,000,000);
- products liability insurance with a limit of at least Two Million Dollars (\$2,000,000), and that policy must be considered primary;

- employment practices liability insurance including endorsement for third-party claims in the amount of One Million Dollars (\$1,000,000);
- comprehensive crime insurance in the amount of One Hundred Thousand Dollars (\$100,000) including employee dishonesty (acting alone or in collusion with others), theft of 3rd party property, money and securities, and
- all other insurance coverages that we require in the Manual or that is required by law or by the lease or sublease for the Salon.

In addition to the above-coverages, we strongly recommend (but reserve the right to require or recover a pro-rata cost of the premium for obtaining such coverage on a System-wide basis) network security/privacy (cyber) and media liability insurance covering acts, errors, omissions, breach of contract, and violation of any consumer protection laws arising out of the Salon's operations or services with a limit of One Million Dollars (\$1,000,000) per claim and in the aggregate. Such coverage shall include but not be limited to, third party and first party coverage for loss or disclosure of any data, including personally identifiable information and payment card information, network security failure, violation of any consumer protection laws, unauthorized access and/or use or other intrusions, infringement of any intellectual property rights (except patent), unintentional breach of contract, negligence or breach of duty to use reasonable care, breach of any duty of confidentiality, invasion of privacy, or violations of any other legal protections for personal information, defamation, libel, slander, commercial disparagement, negligent transmission of computer virus, or use of computer networks in connection with denial of service attacks. Such coverage shall include contractual privacy coverage for data breach response and crisis management costs that would be incurred by you on behalf of us in the event of a data breach including legal and forensic expenses, notification costs, credit monitoring costs, and costs to operate a call center. You shall maintain coverage in force during the term of the Franchise Agreement and for an extended reporting period of not less than three years after.

Each insurance policy required under the Franchise Agreement must be issued by an issuer we approve, who must have a rating of at least "A -" in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Salon is located. All liability and property damage policies must name us as additional insureds and must provide that each policy cannot be cancelled unless we are given 30 days' prior written notice. We have the right to periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

Grand Opening Marketing and Ongoing Advertising. You must conduct a Grand Opening Marketing program in compliance with a grand opening marketing plan that you develop and that we approved in writing. We have the right to require that you deposit the funds with us to distribute as necessary to conduct the Grand Opening Marketing Program. We encourage you to spend additional monies on advertising for your Salon. For any advertising that you conduct, you must comply with all our standards and requirements, including use of approved advertising and marketing materials, placement and purchase of advertising and marketing materials and media, and compliance with our guidelines.

Required Purchases or Leases as Percentage of Overall Purchases or Leases. We estimate that your purchases from approved suppliers according to our specifications will represent approximately 80% of your total purchases in establishing the Salon, and approximately 10% in the continuing operation of the Salon.

We estimate that your purchases of Hair Care Products from us (including Back Bar Products, Retail Products and Proprietary Products) will represent approximately 5% to 10% of your investment required to start your Salon, and approximately 100% of your total purchases of Hair Care Products in the continuing operation of the Salon (on average). The prices charged for Proprietary Products may vary by geographic area.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Franchise Disclosure Document Item(s)
a Site selection and acquisition/lease	1, 4.9, 5, 28.6 Lease Rider (Attachment F) and Site Selection Addendum (Attachment G)	1, 4.1, 6.2, 6.3 and 21.6	6, 7 11 and 12
b Pre-opening purchases/leases	4.8 and 7	Not Applicable	5, 6, 7 and 8
c Site development and other pre-opening requirements	3.2, 3.3, 3.8, 4.9, 5, and 13.6	4, 6.3, 10.2.4, and Appendix A	5, 7 and 11
d Initial and ongoing training	2.2.2, 3.1, 6, 8.2.4 16.5.8, 17.2.8,	Not Applicable	6, 7, 11 and 15
e Opening	3.8, 5.1, 5.8, 6.3 8.2 and 13	Not Applicable	11
f Fees	1.2.2, 2.2.9, 3.2, 4, 6.3, 6.4; 7.1.6, 13, 16.5.9; 16.7.1, 16.11 18.11 and 27.9	5, 6.2, 8.4.6, 8.10, and 10.4,	5, 6, 7 and 1
g Compliance with standards and policies/Manual	1.2.4; 1.5, 2.2.4; 3.4, 4.3.2, 5, 6.3.7, 6.3.9, 6.4, 6.4.5; 7; 8.1, 8.2; 8.6; 8.10, 10; 12, 13.3; 14; 15; 16.5; 18.8, 28.7	6.3, 8.4.3, 10.3.1 and 11.4,	1, 8, 11, 14 and 16

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Franchise Disclosure Document Item(s)
h Trademarks and proprietary information	1.1,1.4; 5.7.4; 5.10,.5.3; 6.4.5, 7.1; 7.2; 8.5, 9; 13, 14, 16.9, 16.11, 17 and 18;	1.1, 2, 8.8, 8.10. 10.2.9, 11 and Appendix B,	1, 8, 13 and 14
i Restrictions on products/services offered	1.4, 1.5, 7, 8.6, 8.9, 18.1 and 18.5,	Not Applicable	1, 7, 8, 11, 12 and 16
j Warranty and customer service requirements	8.6	Not Applicable	1 and 8
k Territorial development and sales quotas	1.3, 1.4, 1.5 and Site Selection Addendum (Attachment G)	1, 2, 3, 4, 6.2.6.3, 10.2.1, 10.2.4, and Appendix A	12
l Ongoing product/service purchases	7 and 8.6	Not Applicable	8
m Maintenance, appearance and remodeling requirements	2.2.4, 5.4, 5.7 – 5.10, and 16.5.5	Not Applicable	11
n Insurance	5.7.7, 6, 15 and 21.4	Not Applicable	6, 7 and 8
o Advertising	3, 4, 5.8, 6, 8.2.1, 8.5, 13, 14.6.1, 18.2, and Attachment A	Not Applicable	6, 7, 8 and 11
p Indemnification	8.7.5, 15.6, 16.11, 21.4, 21.5, and Attachment B (Guarantee, Indemnification and Acknowledgment), and Attachment F (ADA Certification)	14.4 and Appendix B (Guarantee, Indemnification and Acknowledgment)	6 and 14
q Owner's participation/ management/staffing	6, 8, 16 , 19.1, 28.7 and 28.9	Not Applicable	6, 7, 11 and 15

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Franchise Disclosure Document Item(s)
r Records/reports	4.2, 4.3, 8.4, 8.8 12, 14.3	Not Applicable	6 and 11
s Inspections/audits	3.8, 7.1.6, 8.4, 8.6, 8.8 and 12	Not Applicable	6 and 11
t Transfer	5.10.1, 8.7, 16, 17.2, 18.4.1, 19.3, 19.4 and 19	8	17
u Renewal	2.2, 5.10.1, Attachment F (Lease Rider)	3	6 and 17
v Post-termination obligations	18	11	17
w Non-competition covenants	19	12	17
x Dispute resolution	27	20	17
y Taxes/permits	2.2.6, 4.8, 5.4.2, 5.7, and 20	7.4 and 13	1, 6 and 11
z Other: Personal Guarantee	2.2.7; 8.7.5; 16.5.2 and Attachment B	7.2, 8.4.2, 21.9 and Appendix B	1 and 15

ITEM 10

FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third party all or part of any financing arrangement of yours.

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 Obligations

Before you open your Salon, we will:

- (1) Provide to you (or to your Managing Principal), and your Salon Leader(s), stylists and other employees, our standard initial training programs that we designate at a location that we designate. (Training is also discussed below in this Item 11 under the subheading “**Training**”.) We will be responsible for the cost of instruction and materials except as described in Item 6 and as stated in the Franchise Agreement. (Franchise Agreement, Sections 3.1, 6.1 and 6.2)
- (2) Provide you with prototype plans and specifications for the approved architect to prepare construction documents conforming to specific site conditions, including for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. All finishes must be approved by us pursuant to the approved vendor list. We will also provide you with certain site selection assistance. This service is included in the Development Services Fee outlined in Items 5 and 7. (Franchise Agreement, Sections 3.2 and 5.3, and Site Selection Addendum)
- (3) Attend a pre-construction meeting with the landlord’s and your general contractors, permitting assistance and consultation with your architect to answer any requests for information. This service is also included in the Development Services Fee outlined in Items 5 and 7. We may inspect the Salon before the initial opening. You may not start operation of your Salon until receiving our written approval to do so. (Franchise Agreement, Section 3.8)
- (4) We may (but are not required to) provide a representative to be present at the Salon’s initial opening. If we elect to do so, then you may not conduct the initial opening unless our representative is present. We will provide additional on-site pre-opening and opening supervision and assistance as we deem it advisable to do so. (Franchise Agreement, Section 3.3)
- (5) Allow you access, for the duration of the Franchise Agreement, to the Manual (which is more fully described in Item 14). (Franchise Agreement, Sections 3.4 and 10)
- (6) Assist you in developing the Grand Opening Marketing Program (which is more fully described in Items 6 and 11 of this Franchise Disclosure Document); you will be responsible for the cost of this program. (Franchise Agreement, Sections 3.7 and 13.6)
- (7) If you sign a Development Agreement with us, and if you are in compliance with your agreements with us, then we will provide and sign a Franchise Agreement with you for each Salon that you will develop and operate according to the Development Schedule. (Development Agreement, Section 6.1)

We are not required by the Franchise Agreement or Development Agreement to furnish any other service or assistance to you before the opening of your Salon.

Continuing Obligations

During the operation of your Salon we will:

- (1) Make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 3.1 and 6.3)
- (2) Provide you with periodic and continuing advisory assistance as to the operation and promotion of the Salon, as we deem advisable. (Franchise Agreement, Section 3.9)
- (3) Administer the Brand Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Sections 3.6 and 13.2)
- (4) We may conduct, as we deem advisable, periodic inspections of the Salon, and may evaluate the services rendered and products sold by your Salon. (Franchise Agreement, Section 12.5)
- (5) Coordinate and conduct local, regional and/or national franchisee conferences or meetings as we consider necessary in our sole discretion, at locations we designate (Franchise Agreement, Section 13.11). We may designate your attendance at such events as either required or recommended. See also Training below.

Neither the Franchise Agreement, the Development Agreement or any other agreement requires us to provide any other assistance or services to you during the operation of the Salon.

Site Selection

When you enter into the Franchise Agreement, if you do not have an Authorized Location for the Salon, you must sign the site selection addendum (“**Site Selection Addendum**”) attached to the Franchise Agreement as **Attachment G**. Under the terms of the Site Selection Addendum, you will have 180 days within which to lease or sublease a site for the Salon, subject to our approval according to our site selection guidelines. You must submit at least one location to us for our approval within the first 90 days after you sign the Site Selection Addendum.

Under the Site Selection Addendum, we will grant you an area (“**Site Selection Area**”) within which you may search for an Authorized Location. The Site Selection Area is granted only for the purpose of selecting an Authorized Location for the Salon. We will not establish, nor franchise another to establish, a Salon operating under the System within the Site Selection Area until we approve an Authorized Location for the Salon, or until the search period in the Site Selection Addendum expires, whichever happens first. We will also furnish site selection guidelines to you, including our minimum standards for a location for the Salon, and such site selection counseling and assistance as we may deem advisable. We will perform any on-site evaluation as we may deem advisable in response to your requests for site approval. If we deem an on-site evaluation necessary and appropriate (on our own initiative or at your request), you must reimburse us for all reasonable expenses we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

Within 45 days after signing the Site Selection Addendum, you must submit to us, in the form we specify, a copy of the site plan and such other materials or information that we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 15 days following receipt of this information and materials from you to authorize or disapprove the proposed site for the Authorized Location of the Salon. If we do not approve a proposed site by written notice to you within this 15 day period, the site will be deemed disapproved.

The factors we will consider, to the extent available, in authorizing the location for the proposed site may include some or all of the following: (1) population; (2) demographic characteristics of the surrounding area; (3) parking; (4) availability of licensed cosmetologists in the trade area, to the extent such information is available; (5) anchor tenant(s); (6) location and surrounding area foot and vehicle traffic patterns; (7) available ingress and egress from location; and (8) lease and term provisions.

Once authorized, the site for the Salon will be the “Authorized Location”. Within 120 days after our authorization of the Authorized Location, you must execute a lease, which must be coterminous with the Franchise Agreement. Our approval of any lease will be conditioned upon inclusion of our lease rider in the lease, a copy of which is attached to the Franchise Agreement as **Attachment F**. We are not responsible for review of the lease for any terms other than those contained in the lease rider.

Promptly after obtaining possession of the site for the Salon, you must do all of the following:

- (1) Cause to be prepared and submit for our approval a site survey/layout and any modifications to our basic architectural plans and specifications for a Salon required to develop a Salon at the site you have leased or purchased. You may modify our basic plans and specifications only as necessary to comply with applicable site conditions, ordinances, building codes and permit requirements and only after we give our approval;
- (2) Obtain all required zoning permits, required building permits, utility, health, sign permits and licenses, and any other required permits and licenses;
- (3) Purchase and install, all required equipment, fixtures, furniture and signs;
- (4) Complete the construction and remodeling, and decorating of the Salon in compliance with plans and specifications approved by us and all applicable ordinances, building codes and permit requirements within 90 days after delivery of the premises to you by Landlord in accordance with the lease requirements;
- (5) Obtain all customary contractors’ sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services;
- (6) Obtain a final certificate of occupancy for the premises;
- (7) Obtain a business and salon operator’s license, where required; and
- (8) Otherwise complete the development of your Salon.

You must maintain the condition and appearance of the premises of the Salon consistent with our quality controls and standards and may not materially alter your Salon or replace or alter your equipment, fixtures, or signs without our prior written approval.

Typical Length of Time Before Operation

We expect that it will typically take approximately nine months to 12 months between signing the Franchise Agreement and the opening of your Salon. The time required to open may be affected by various factors, including your ability to select a suitable site, delays in making leasing and financing arrangements, zoning, completing construction, leasehold improvements and decor and furnishing, completing training, meeting local ordinances or community requirements, delivery of equipment and signs, weather, and similar factors. You must have all necessary licenses, permits, and approvals, have hired and trained personnel, installed equipment, and otherwise implemented all components of the System before opening. You must have the

Salon open and in operation within 12 months after the effective date of the Franchise Agreement. If you fail to begin operations within that 12 month period, we will have the right to terminate the Franchise Agreement or grant you an extension based on our then-current terms and conditions and fees for granting such an extension of time.

Remodeling

At our request, you must periodically refurbish the Salon to conform to our then-current standards and specifications for new Salons. You will not be required to cosmetically refresh the Salon more than once every five years. However, you must remodel to bring your Salon current, including new signage and furniture, fixtures and equipment) if you have not yet done so upon the signing of a successor Franchise Agreement. You will have six months to complete the remodeling after we send notice. You will bear the costs of the refresh or remodel, which will vary depending on factors such as the condition in which you regularly maintain your Salon, the degree to which you encounter wear and tear, local rates for labor and contractors' time, commodity prices (such as lumber and steel that go into any construction project), inflation, and other economic factors. In addition, you must at all times maintain the premises as required by the terms of any agreement you sign for the premises.

Training Programs

As part of our System Standards, you will be required to satisfactorily complete all required training programs described below. Prior to opening each Salon, you or your Managing Principal and your Salon Leader will be required to complete the initial Salon Training Program. Prior to opening your First Salon, You or your Managing Principal and another principal of your choice will also be required to complete our NFOP. After opening your second Salon, your designated training personnel (described below) will be required to complete the train the trainer program ("**TTT Program**"). Finally, once you have signed the Franchise Agreement for your tenth (10th) Salon, you will be required to designate a District Leader who will be required to complete the district leader training program ("**DL Training Program**").

We have designed each of these programs to be systemic and specifically crafted to prepare our Franchisees for effectively operating and managing their Salons. Each training program must be completed on time and to our satisfaction. If you would like to have additional members of your staff attend any training program, then you will be required to pay our current Additional Training Fee for each participant (see Item 6). We will provide each training program at a designated training facility of our choice, at an operating Bubbles Salon and/or through an online learning management system. You must pay all travel and living expenses which you and your employees incur during all training courses and programs, as well as your employees' wages and workers' compensation insurance while they undertake the required training programs.

NFOP:

Prior to opening your first Salon, you (or your Managing Principal if you are an entity) must attend and successfully complete NFOP, which is designed to provide a brief, but intensive overview of our System and Salon operations. You must pay our then-current NFOP Fee for all those that attend NFOP. Our current NFOP Fee \$1,000 for up to three people, including your Managing Principal and up to two additional members of your senior management team (e.g., CEO, COO and/or CFO), and an additional \$1,000 for each additional person that we approve to attend that same NFOP session.

Salon Training Program:

Prior to opening the Salon, you (or your Managing Principal) and your Salon Leader must attend and successfully complete our Salon Training Program that will include a comprehensive curriculum to address

the material aspects of operating a Bubbles Salon. The training curriculum is summarized below. You must pay our then-current fee for all those that attend the Salon Training Program that we conduct. Our current fee for the Salon Training Program is \$1,000 for up to three people attending the Salon Training Program at the same time, and an additional \$1,000 for each additional person that we approve to attend that same session and/or attend a different session at a different time. You will be required to offer the Salon Training Program for your employees, at your sole cost and expense, as soon as we have approved one or more of your Salons as a Certified Training Salon (as defined below) and at least one of your employees has successfully completed our TTT Program described below and has been designated a “**Certified Trainer**” (as defined below).

TTT Program:

Within a reasonable period (but no longer than 90 days) after opening your second Salon, at least one employee designated by you and approved by us must attend and successfully complete our TTT Program. You must pay our then-current fee for all those that attend the TTT Program. Our current fee for the TTT Program is \$1,000 for up to three people attending the same session of the TTT Program, and an additional \$1,000 for each additional person that we approve to attend that same TTT Program session and/or attend a different session at a different time. Each person who successfully completes the TTT Program will be designated a “**Certified Trainer**”. We reserve the right to require that more than one of your employees attend our TTT Program, depending on the number and type of Salons that you operate. Prior to opening your third Salon, at least one of your Salons must meet our requirements to qualify as a “**Certified Training Salon**”. Once you have at least one Certified Training Salon and at least one Certified Trainer, you must conduct the Salon Training Program for all of your employees for each new Salon that you develop, commencing with your third Salon. You may not open your third or any subsequent Salon without having at least one Certified Trainer and one Certified Training Salon. Specific qualifications for Certified Trainers and Certified Training Salons are described fully in Section 1 of the Manual which you may review at our headquarters prior to signing the Franchise Agreement.

If you fail to have at least one Certified Training Salon and a Certified Trainer within 90 days after opening your second Salon and/or at any time thereafter that you have two or more Salons in operation, we will have the right to either: (a) prohibit you from opening the Franchised Business (and any additional Salons) until at least one of your Salons is certified as a Certified Training Salon and the Salon Training Program for all completed but unopened Salons that you own and operate has been successfully conducted; or (b) require that the Salon Leader and Assistant Salon Leaders for the Franchised Business (and any subsequent Salon(s)) attend the TTT Program at our training facility or at any Certified Training Salon that we may designate, at your sole cost and expense, and we reserve the right to charge you a fee for each person attending such training.

DL Training Program:

Prior to opening your tenth Salon, at least one employee designated by you and approved by us must attend and successfully complete both our DL Training Program and the TTT Program. The DL Training Program is designed to ensure that your team has an operational leader qualified to direct the operations of ten or more Salons (“**District Leader**”) and the TTT Program will ensure that the District Leader is able to properly train new Salon Leaders. The District Leader will be responsible for, among other things, recruiting, staffing, sales, marketing and promotional efforts, and other operational oversight. You must pay our then-current fee for all those that attend the DL Training Program. Our current fee for the DL Training Program is \$1,000 for up to three people attending the same session of the DL Training Program and an additional \$1,000 for each additional person that we approve to attend that same DL Training Program session and/or attend a different session at a different time. Each person who successfully completes the DL Training Program will be designated as a “**Certified District Leader**”. You must have

at least one Certified District Leader for every ten Salons owned and operated by you or any of your affiliates, based on the need to have a minimum of four hours of weekly supervision at every Salon. Each District Leader may be responsible for up to ten Salons that you or any of your affiliates own and operate. We reserve the right to adjust the maximum number of Salons that any District Leader may be responsible for based on your experience. The TTT Program does not apply to Certified District Leaders, all of whom must attend and successfully complete the DL Training Program at a training facility that we designate.

Your Managing Principal and your Salon Leader, training personnel and District Leader(s) must complete all required training to our satisfaction. If your Salon Leader, training personnel, or District Leader fails to complete any of the required training programs to our satisfaction, then that person may repeat the course or you may send a substitute to complete the next available training program. We reserve the right to charge you for substitute personnel that attend the next training program.

All stylists, management personnel, and other personnel working at the Salon must satisfactorily complete all state and local government required training and must meet all required licensing requirements. All employees must maintain their licenses in good standing during the term of their employment with you.

If you request, and we agree to provide, additional or special guidance, assistance, or training during the opening phase of any of your Salons, you must pay our then applicable charges, including the per diem charges and travel and living expenses of our employees providing such additional training or assistance (as noted in the Item 6 Chart above).

Below you will find tables laying out the subjects covered in each of the four major trainings offered by us, the hours required to complete each portion, as well as the expected location of the training.

TRAINING PROGRAMS FOR FRANCHISEES

Salon Training Program

SUBJECT	HOURS OF DIGITAL and/or CLASSROOM TRAINING	HOURS OF DIGITAL and/or ON-THE-JOB TRAINING	EXPECTED LOCATION
Brand Welcome, Introductions, and Overview	0.25	0.5	Aventura, Florida
Bubbles’ Franchisee/Franchisor Relationship	0.5	0.0	Aventura, Florida
Site Selection, Lease LOI, Lease Negotiation, Key Attributes, and KPIs	1.0	0.0	Aventura, Florida
Technology and Application Use	1.5	7.0	Aventura, Florida
Salon Operations	10.0	22.0	Aventura, Florida

Consumer Insight	1.0	0.0	Aventura, Florida
Marketing Guidance	1.5	1.0	Aventura, Florida
Guest Experience Guidance	1.0	2.0	Aventura, Florida
Operational Documents Instruction	0.5	1.0	Aventura, Florida
Salon Staff Management Guidance	3.0	3.0	Aventura, Florida
Financials and Reporting Guidance	3.0	2.0	Aventura, Florida
Start-Up Process Guidance	0.5	3.0	Aventura, Florida
Wrap Up and Q&A	0.5	0.5	Aventura, Florida
TOTAL	24.25 Hours	42.0 Hours	

New Franchise Operations Program

SUBJECT	HOURS OF DIGITAL and/or CLASSROOM TRAINING	HOURS OF DIGITAL and/or ON-THE-JOB TRAINING	EXPECTED LOCATION
Brand Welcome, Introductions, and Overview	0.25	0.0	Aventura, Florida
Bubbles' Franchisee/Franchisor Relationship	0.5	0.0	Aventura, Florida
Site Selection, Lease LOI, Lease Negotiation, Key Attributes, and KPIs	1.0	0.0	Aventura, Florida
Technology and Application Use	1.0	0.0	Aventura, Florida
Salon Operations	2.0	0.0	Aventura, Florida
Consumer Insight	1.0	0.0	Aventura, Florida
Marketing Guidance	1.5	0.0	Aventura, Florida

Guest Experience Guidance	1.0	0.0	Aventura, Florida
Operational Documents Instruction	.5	0.0	Aventura, Florida
Salon Staff Management Guidance	2.0	0.0	Aventura, Florida
Financials and Reporting Guidance	2.0	0.0	Aventura, Florida
Start-Up Process Guidance	0.5	0.0	Aventura, Florida
Wrap Up and Q&A	0.5	0.0	Aventura, Florida
TOTAL (14.25 Hours)	13.75 Hours	0.0 Hours	

Train The Trainer Training Program

SUBJECT	HOURS OF DIGITAL and/or CLASSROOM TRAINING	HOURS OF DIGITAL and/or ON-THE-JOB TRAINING	EXPECTED LOCATION
Brand Welcome, Introductions, and Overview	0.5	0.0	TBD
Discovering Your Leadership Style	1.0	0.0	TBD
Understanding Other Leadership Styles	1.0	0.0	TBD
Strategies for Building More Effective Relationships	0.5	0.0	TBD
Situational Leadership	1.0	0.0	TBD
Adult Learning Principles and Learning Styles	0.5	0.0	TBD
Listening Skills And Body Language Cues	1.0	0.0	TBD

LMS Applications	1.0	0.0	TBD
Preparing To Train	0.5	0.0	TBD
Q&A and Next-Steps	0.5	0.0	TBD
Total: (7.5 Hours)	7.5 Hours	0.0 Hours	

District Leader Training Program

SUBJECT	HOURS OF DIGITAL and/or CLASSROOM TRAINING	HOURS OF DIGITAL and/or ON-THE-JOB TRAINING	EXPECTED LOCATION
Brand Welcome, Overview, and Approach	0.5	0.0	TBD
Leadership Development	1.5	0.0	TBD
Winning in the Next Phase (of Management)	1.0	0.0	TBD
Energy Management (A Day In The Life)	1.5	0.0	TBD
Setting Priorities	1.5	0.0	TBD
Vision Into Action (Next Steps Guidance)	1.5	0.0	TBD
Q & A Session	0.5	0.0	TBD
Total: (8.0 Hours)	8.0 Hours	0.0 Hours	

Our training programs are conducted under the supervision of our Learning and Development Department. All of our trainers and facilitators have experience relevant to the subject about which they will provide training. To understand the credentials of our trainers, please see their descriptions below. The instructors or presenters identified in this Franchise Disclosure Document or other training materials delivered to you may vary over time or may vary for different courses during the year.

We may require you, your Managing Principal, your District Leader(s), Salon Leader(s), and/or other previously trained and experienced employees to attend and complete to our satisfaction various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic local, regional and/or national franchisee conference or meetings that we specify. We may charge reasonable registration or similar fees for these courses. You must pay all costs to attend.

If for any reason your Managing Principal terminates his or her employment with you, you must hire a replacement Managing Principal. Your replacement Managing Principal must complete to our satisfaction our NFOP and the Salon Training Program no later than 90 days after being designated as a replacement Managing Principal. Replacement Salon Leaders or Assistant Salon Leaders may (a) attend the subsequent training program offered by us, or (b) as an alternative, replacement Salon Leaders and Assistant Salon Leaders may be trained by your Certified Trainers, but must be reviewed by our field personnel and receive our certification. Replacement personnel must complete the required training programs no later than 90 days after being designated by you. You will be required to pay our current Additional Training Fee for each participant.

All of our instructors are our employees. Heather Owens, our Director of Learning and Development and Steven Waldman, our Director of Technical Training will supervise our training program with assistance from other members of our training staff (See Item 2).

Advertising and Marketing

As described in Item 6 above, for each Week during the term of the Franchise Agreement, you must make a contribution to the Brand Fund. Your Franchise Agreement will require you to contribute 2.5% of your weekly Gross Sales as a Brand Fund Contribution, in the proportions that we will have the right to periodically designate. There are different marketing needs in different types of markets. For example, Salons that operate in suburban areas may need a different kind and volume of marketing than do Salons that operate in urban central business district areas. We reserve the right, in certain markets, to suspend a portion of these requirements. We have the right to increase the amount of the Brand Fund Contribution from 2.5% to up to 5.0%, in annual increments of up to 0.5% of your Gross Sales. We may implement each Annual Brand Fund Increase after either (i) a limited period Marketing Test of the Annual Brand Fund Increase in a Test Market that we select that we determine has been a Successful Marketing Test or (ii) upon an Approval Vote of a majority of all Bubbles Salons operating in the United States, with us, HC Holdings and each Bubbles franchisee in the U.S. having one vote for each Bubbles Salon that they own and operate as of the date of the vote. Your Salon must participate in any Marketing Test that is conducted in a Test Market within which the Salon is located and pay the applicable Annual Brand Fund Increase to the Brand Fund during the duration of the Marketing Test (“**Brand Fund Test Amount**”). The Brand Fund Test Amount will be refunded to you, whether or not the Marketing Test is deemed a success or not, within a reasonable period after completion of the Marketing Test, in the form of either a cash payment or a credit against future Brand Fund Contributions payable by you, as we determine in our sole discretion.

While we are not required to spend any particular amount on advertising in the area where your Salon is located, we may allocate some or all of the Brand Fund Contribution for targeted local or regional marketing activities in a particular geographic area within which your Salon and others are located, which shall be deemed to be a part of the Brand Fund, but for which all revenues and expenses will be accounted for separately on the books of the Brand Fund (“**Regional Marketing Fund**”).

We may use direct mail, print, online, social media, radio, or television, which may be local, regional, or national in scope. We may create advertising in-house or hire an advertising agency. At this time, there is no franchisee council that advises us on marketing, but we may later elect to form a franchisee group to advise on advertising policies.

The Brand Fund

We have the right to establish a national brand fund for the System (“**Brand Fund**”). Once established, the Brand Fund, and all contributions to and earnings from the Brand Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting,

and preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our Website (except for the portion, if any, specifically for soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; pay per click, display and other digital media advertising; organic and paid social media activities; email, SMS and loyalty marketing activities; digital marketing technology tools; qualitative and quantitative consumer research; direct mail advertising; public relations activities; developing and maintaining our Website(s) (except for the portion, if any, specifically for soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Salons operated under the System. We may also use the Brand Fund to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, that we have approved in advance (we will have the right to determine which expenditures will appropriately promote general public awareness and favorable support for the System), and/or for costs related to periodic franchisee conventions and/or meetings that we organize. None of the amounts collected or held by the Brand Fund will be used for advertising that is principally a solicitation for the sale of franchises.

We will have the sole right to decide how the Brand Fund creates, places, and pays for advertising. We (or our designee, which might be a corporate subsidiary or an advertising agency) will maintain and administer the Brand Fund, as follows:

- (1) We (or our designee) will direct all marketing programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Brand Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you or to the Brand Fund that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Brand Fund.
- (2) The Brand Fund, and all contributions to and earnings from the Brand Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System.
- (3) The Brand Fund Contribution will be contributed to the Brand Fund each Week in the manner specified in Item 6 above (see Item 6, note 2). All sums you pay to the Brand Fund will be maintained in an account separate from our other monies.
- (4) We will have the right to charge the Brand Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Brand Fund and marketing programs for you and the System (this includes, for example, costs of personnel for creating and implementing, associated overhead, marketing, merchandising, promotional and marketing programs). The Brand Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Brand Fund.
- (5) The Brand Fund will be maintained in a separate bank account. The Brand Fund is not and will not be our asset.

- (6) A statement of the Brand Fund's operations, as shown on our books, and unaudited, will be prepared annually, and you may obtain a copy of that accounting statement of the advertising fund upon request.
- (7) Although the Brand Fund is intended to be of perpetual duration, we maintain the right to terminate the Brand Fund. The Brand Fund will not be terminated, however, until all monies in the Brand Fund have been spent for marketing or promotional purposes or returned on a pro-rata basis to our franchisees. If amounts are unspent in the Brand Fund at fiscal year-end, those amounts will be carried over by the Brand Fund for expenditure in the following year(s).

We did not have any franchisees making Brand Fund Contributions to the Brand Fund prior to the date of this Franchise Disclosure Document and, therefore, the Brand Fund has not previously made any expenditures.

We do not currently operate any Salons (our Affiliates operate the Affiliate Owned Salons). Each of the Affiliate Owned Salons will contribute to the Brand Fund at the same rate or basis as franchised Salons. If in the future we operate any Salons, we will contribute to the Brand Fund at the same rate or basis as franchised Salons.

Local Marketing and Promotion. In addition to and not instead of the Brand Fund Contribution, we encourage (but do not currently require) that you spend monies on local marketing and promotion of the Salon. We reserve the right to require that you spend the Minimum Local Advertising Expenditure on local advertising approved by us, provided however, the total of the Minimum Local Advertising Expenditure and the Brand Fund Contribution shall not exceed 5.0% of the Gross Sales of the Salon in any week during the Term of this Agreement. Once required by us, your failure to make the Minimum Local Advertising Expenditure shall be deemed to be a material default of this Agreement.

Grand Opening Marketing Program: Within 90 days prior to opening your first Salon in each DMA, you must pay us a Grand Opening Marketing Fee in the amount of \$2,500 for the Grand Opening Marketing Program. As discussed in Item 7, in addition to (and not in place of) the Brand Fund Contribution, you must conduct a grand opening marketing and promotional program for each Salon that you open in accordance with the Grand Opening Marketing Program. You must spend on the Grand Opening Marketing Program a minimum amount that we specify in the Franchise Agreement, which we expect to range from \$10,000 to \$15,000 as we determine. You must complete the Grand Opening Marketing Program during the period from 30 days before, and until 60 days after, the Salon opens for business. The Grand Opening Marketing Program is considered "**local marketing and promotion**" and all materials used in the Grand Opening Marketing Program will be subject to our prior written approval as described below. As noted in Item 7, we reserve the right to require that you deposit the funds with us to distribute as necessary to conduct the Grand Opening Marketing Program.

Certain criteria will apply to any local marketing and promotion that you conduct. All of your local marketing and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any advertising, marketing, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials. You are not required to obtain our approval of the prices you intend to charge provided they are in compliance with our then-current maximum/minimum pricing guideline. We will ordinarily provide you with our response (whether approval or disapproval) to the proposed plans or materials within 14 days; but if we do not give our approval within 14 days, we will have been deemed to disapprove the plans or materials. (Franchise Agreement, Sections 13.5).

All copyrights in and to advertising, marketing, and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision.

Websites (as defined below) are considered as “advertising” under the Franchise Agreement and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term “**Website**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, social networking sites (for example, Facebook, Twitter, LinkedIn, Google Wave, etc.), blogs, vlogs, and other applications, etc. You may not establish a Website, and you may not offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through a Website without our prior written approval. If we decide to grant our consent, we have the right to require that you adhere to certain standards concerning a Website, including using specific templates provided to you for use on any social networking site or Website.

Gift Cards, Stored Value Cards and Incentive Programs. You agree to offer for sale, and to honor for purchases by customers, all gift cards, stored value cards and other incentive or convenience programs that we may periodically institute (including but not limited to loyalty programs that we or a third-party vendor operate, as well as mobile payment applications); and you agree to do all of those things in compliance with our standards and procedures for such programs.

Computer/POS Systems

We require our franchisees to purchase a minimum Computer/POS system (“**Computer/POS System**”). You must meet our requirements concerning the Computer/POS System which, as of the date of this Franchise Disclosure Document were as follows:

Salon Hardware	Rec Qty	Purpose
PCs or iPad Tablets <ul style="list-style-type: none"> • Intel i3, i5 or i7 processors • Windows 10 or above • Monitor w/ 1280x1024 (in pixels) or higher • Memory: Minimum of 4 GB RAM. (For optimal performance, we recommend 8 GB RAM for centers that are managing 100+ appointments per day and 12 - 16 GB RAM for centers that are managing 200+ appointments a day. • Chrome browser 	2	Appointment book, point of sale, reporting
Logitech Barcode Scanner	2	Scanning products
Epson Receipt Printer	1	Printing Guest Receipts
Report Printer	1	Printing reports
Verifone 915 Pinpad	1	POS

iPad with cellular service(backs up broadband)	1	Kiosk for checking guests in and out
Peplink Router with backup cellular service	1	Telcom
Meraki Access Point	1	WiFi for guests and stylists
Netgear Switch	1	Hub/Switch
VOIP Phone	1	Phone
Cash Drawer	1	Til

We currently estimate the annual cost of maintaining, updating, upgrading your Computer/POS System, and obtaining support, to be \$2,000 per year. Neither we nor any of our Affiliates have an obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system.

Broadband Internet Connection

We also require that you maintain broadband internet connection at the Salon at all times, meeting the following minimum specifications:

- -Minimum: Download of 4 Mbps and Upload of 1 Mbps
- -Recommended: Download: of 8-20 Mbps and Upload: 4-8 Mbps
- -With WIFI Enabled for guests and stylists: Up to 200Mbps optimal.

As of the date of this Franchise Disclosure Document, we estimate that the cost of this broadband internet service to be between \$100 to \$200 per month, per salon (including VOIP phone service)

HC Technology Platform

We also require that you use the services of our on-line designated technology service suppliers to access certain systems which may include, the point-of-sale system, appointments, inventory replenishment, material safety data sheet online repository, payroll (“**HC Technology Platform**”). We have entered into one or more direct license agreements with the third-party providers of the HC Technology Platform which allow us to sublicense the HC Technology Platform to our franchisees. You must pay us the then-current monthly HC Technology Platform Fee to allow us to provide you with access to the HC Technology Platform, which as of the date of this Franchise Disclosure Document is approximately \$250 to \$500 per month per Salon. By accessing the HC Technology Platform, we will have access to your gross sales, inventory levels, payroll and other data for reporting purposes. We reserve the right to retain and store this data in our own computer systems. There is no contractual limitation on our right to receive this information.

You must at all times comply with the terms of the license agreement between us and the third-party providers of the HC Technology Platform. You must defend, indemnify, and hold us, HC Holdings, and our Affiliates harmless from and against any claims, damages, and expenses (including attorney’s fees and other litigation expenses) arising out of or relating to: (i) your breach or violation of the terms of any license agreement between us and the third-party providers of the HC Technology Platform, and/or (ii) any asserted

patent, trade secret, copyright, or trademark infringement action brought as a result of your use or misuse of the HC Technology Platform.

In-Salon Radio System

We also require that you use the services of our on-line designated In-Salon radio service that provides royalty free music and Bubbles promotional advertising to Bubbles Salons (“**In-Salon Radio Service**”). In-Salon radio currently requires a purchase of a Spectrio Media Player, Mixer/Amp, In-ceiling Speakers. With installation, the total cost is \$900 to \$1100 per Salon. You must pay the In-Salon Radio supplier their then-current monthly fee to access and use the HC Technology Platform which, as of the date of this Franchise Disclosure Document was \$25 to \$30 per month.

We reserve the right to require you to bring any computer hardware and software, related peripheral equipment, communications systems and related technology services, into conformity with our then-current standards for new Salons. Except for the HC Technology Platform and In-Salon Radio Service we require, we have no obligation to assist you in obtaining hardware, software or related services and there are no contractual limits on the frequency or cost of your obligations to obtain these upgrades. (See Section 14 of the Franchise Agreement).

Manual

The table of contents of our Manual is attached as **Exhibit F**.

ITEM 12

TERRITORY

Franchise Agreement

During the term of the Franchise Agreement, and except as otherwise provided in that agreement, we will not establish or license anyone else to establish, another Bubbles Salon at any location within the protected territory (“**Protected Territory**”) designated in the Franchise Agreement. The Protected Territory will typically be a circle, the center of which will be the front door of the Salon, and that circle will have a radius that is specified in your Franchise Agreement. The Protected Territory will not include Captive Market Locations (defined below) that may otherwise be located within the geographic area of the Protected Territory. The Protected Territory will be determined by considering many factors relevant to the location of your Salon, including demographic information for the area, local competition, drive times from the Salon and residential and daytime business and commercial population in the “**Trade Area**” in which the Salon will be located. The term “**Trade Area**” and the Protected Territory applicable to each type of Trade Area are defined in **Attachment A** of the Franchise Agreement. As a general rule, Trade Areas are defined as follows:

<u>Trade Area Type</u>	<u>Protected Territory</u>
<u>Hyper Urban Trade Area</u> : Population within ¾ mile of the Salon is 200,000 or more;	0.8 Mile Radius
<u>Urban Trade Area</u> : Population within 1 ½ Miles of the Salon is 200,000 or more;	1.3 Mile Radius

Suburban Trade Area: Population within 2 ½ Miles of the Salon is 200,000 or more. 2.4 Mile Radius

Suburban Fringe Trade Area: Population within 3 ½ Miles of the Salon is 200,000 or more. 3.2 Mile Radius

Rural Trade Area: Population within 5 Miles of the Salon is 200,000 or more. 4.8 Mile Radius

For the Purposes of determining the Protected Territory above, the term “**Population**” will include permanent residents and daytime business and commercial population in the applicable Trade Area.

If the Salon is located at or within a Captive Market Location (as defined below), the Protected Territory may be limited to the location of the Salon itself.

You will not receive an exclusive territory under your Franchise Agreement. As set forth below, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we own or control.

We (and our Affiliates) retain all other rights. Specifically, we will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- establish, and license others to establish, Salons at any location outside the Protected Territory despite their proximity to the Protected Territory or the Authorized Location or its actual or threatened impact on sales at your Salon;
- establish, and license others to establish, Salons at any Captive Market Location (as those terms are defined below) within or outside the Protected Territory, despite these Salons’ proximity to the Authorized Location or their actual or threatened impact on sales at your Salon;
- establish, and license others to establish mobile (i.e. vehicle based) businesses operating under the System and the Proprietary Marks (“**Mobile Salons**”) even if those businesses offer services and/or sell products that are the same as or similar to the Services and/or Hair Care Products offered from the Salon, whether those businesses are located inside or outside the Protected Territory, despite their actual or threatened impact on sales at your Salon provided, however, no such Mobile Salon may offer or sell any such products or services within 100 feet from the entrance of your Salon;
- establish, and license others to establish, businesses that do not operate under the System and do not use the Proprietary Marks, even if those businesses offer services and/or sell products that are the same as or similar to the Services and/or Hair Care Products offered from the Salon, and which businesses may be located within or outside the Protected Territory, whether those businesses are located inside or outside of the Protected Territory, despite these businesses’ proximity to the Authorized Location or their actual or threatened impact on sales at your Salon;
- acquire (or be acquired) and then operate any business of any kind, whether located within or outside the Protected Territory despite these business’ or store’s proximity to the Authorized Location or its actual or threatened impact on sales at your Salon (but we will not convert those other businesses into “Bubbles” Salons operated in the Protected Territory); and

- offer, sell and distribute (including the right to license others to do the same), directly or indirectly, any Services and/or Hair Care Products (including Proprietary Products) from any other channel of distribution or location (such as retail, convenience or grocery stores) or to any purchaser (including sales made to purchasers in the Protected Territory through electronic means, such as the Internet, other digital sites, and mail order), so long as those sales are not made from a Salon operated from a location inside the Protected Territory (excluding a Captive Market Location). We will not compensate you for sales we may make through any such alternative distribution channels.

The term “**Captive Market Location**” means a business to which end-users do not primarily come for the purpose of experiencing the Services or using the Hair Care Products, such as hotels, casinos, department stores or other “**big box**” retailers, airports or other transportation centers, colleges or universities, military installations, and other government operated facilities.

You may only offer Services and sell Hair Care Products at the Salon, only according to the requirements of the Franchise Agreement and the procedures described in the Manual, and only to retail customers. In doing so, you may only offer for sale items that we have designated or approved as Retail Products. You may not offer Services and/or sell Hair Care Products through any means or channel of distribution other than through the Salon. So, for example, you may not offer Services or sell Hair Care Products in bulk or wholesale fashion, or from remote sites, satellite locations, temporary locations, carts, or kiosks, or by use of catalogs, the Internet, or through any other electronic or print media. We reserve all of these channels of distribution exclusively for ourselves.

You may not offer off-site Services (for example, for bridal parties) without our prior written approval and/or in compliance with any standards that we prescribe for such Services in the Manual or otherwise in writing. We reserve the right to restrict the provision of any approved off-site Services to the boundaries of your Protected Territory.

You do not need to meet any particular sales or revenue volume in order to keep your Protected Territory as described above so long as you stay in compliance with the terms of your Franchise Agreement. There are no other circumstances under the Franchise Agreement that permit us to modify your territorial rights so long as you stay in compliance with the terms of your Franchise Agreement.

If you wish to relocate your Salon, you must first obtain our written consent. We will apply the same standards to evaluating a requested relocation as we would to evaluating a proposed site for a brand new Salon (see Site Selection in Item 11). You will not have the right to open additional Salons in your Protected Territory; if you wish to open an additional Salon, you may seek an additional franchise from us, but we are not required to grant you additional franchise rights.

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

Under the Franchise Agreement, you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or contiguous area, or elsewhere.

Site Selection Addendum

As described in Item 11, if you do not have an approved site for your Salon before you sign the Franchise Agreement, you will enter into a Site Selection Addendum with us, and we will grant you a Site Selection Area within which you may search for an Authorized Location. The Site Selection Area is granted only for

the purpose of selecting an Authorized Location for the Salon. We will not establish, nor franchise another to establish, a Salon operating under the System within the Site Selection Area until we authorize of an Authorized Location for the Salon, or until the search period in the Site Selection Addendum expires, whichever happens first. The Protected Territory for the Salon will be determined once you select and we have approved the Authorized Location.

Development Agreement

Under the Development Agreement, and as described in Item 1, if you sign a Development Agreement, you will receive a Development Area in which you must develop Salons. If you are in compliance with your obligations under the Development Agreement and all other Franchise Agreements between you and us, then we will not establish, nor license anyone other than you to establish, a Salon in the Development Area until the last date specified in the Development Schedule, except as otherwise provided below. We (and our Affiliates) retain all other rights. Accordingly, we will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- establish, and license others to establish, Salons at any location outside the Development Area despite their proximity to the Development Area or any Authorized Location, or their actual or threatened impact on sales at any of your Salons;
- establish, and license others to establish Salons at any Captive Market Location within or outside the Development Area, despite these Salons' proximity to the Development Area or any Authorized Location or their actual or threatened impact on sales at any of your Salons;
- establish, and license others to establish, businesses that do not operate under the System and do not use the Proprietary Marks, even if those businesses offer services and/or sell products that are the same as or similar to the Services and/or Hair Care Products offered from the Salons, and which businesses may be located within or outside the Development Area, despite these business' proximity to the Development Area or any Authorized Location or their actual or threatened impact on sales at any of your Salons;
- acquire (or be acquired) and then operate any business of any kind, whether located within or outside the Development Area despite these business' or store's proximity to the Development Area or any Authorized Location or their actual or threatened impact on sales at any of your Salons; and
- offer, sell and distribute (including the right to license others to do the same), directly or indirectly, any Services and/or Hair Care Products (including Proprietary Products) from any location or to any purchaser (including sales made to purchasers in the Development Area through electronic means, such as the Internet, other digital sites, and mail order), so long as those sales are not made from a Salon operated from a location inside the Development Area (excluding a Captive Market Location). We will not compensate you for sales we may make in the alternative distribution channels.

There are no minimum sales quotas or other conditions that you must meet in order to maintain your limited rights in the Development Area. However, if you are in default under the Development Agreement (defaults may include, but are not limited to, failing to comply with the Development Schedule), we may terminate the Development Agreement and the limited exclusivity in the Development Area. Additionally, we reserve the right to undertake certain actions in lieu of termination of the Development Agreement, including modifying or eliminating the Development Area.

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

Options and First-Refusal Rights

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere. Similarly, a Development Agreement does not grant you any rights of first refusal, options or similar rights to develop or operate any Salons in addition to the number specified in the Development Schedule.

ITEM 13

TRADEMARKS

We grant you the right to use certain Proprietary Marks under the Franchise Agreement.

The Marks and the System are owned by HC Salon Brand Holdings, LLC. HC Salon Brand Holdings, LLC has granted us a non-exclusive license (“**Intellectual Property License**”) to use the intellectual property for purposes of franchising the System throughout the United States. The Intellectual Property License extends for 20 years, commencing October 8, 2021 provided that we are not in default or do not materially breach the Intellectual Property License by engaging in any activity which damages the Marks or the goodwill of the System. In the event the Intellectual Property License is terminated, HC Salon Brand Holdings, LLC has agreed to negotiate a license with our franchisees to use the Marks and the System on substantially the same terms as the terms in our Intellectual Property License.

Our affiliate, HC Salon Brand Holdings, LLC owns the following registration with the U.S. Patent and Trademark Office (“**USPTO**”) on its Principal Register, which it has licensed to us.

Mark	Registration/Application Number	Registration/Filing Date
BUBBLES & Design 	4,754,928	10/02/2014
BUBBLES SALON & Design 	2,831,134	4/13/2004
BUBBLES (wordmark)	2,975,066	7/26/2005

All required affidavits of use and incontestability required to be filed as of the date of this Franchise Disclosure Document have been filed. No renewal filings are yet due in connection with these registrations.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Mark: (1) as part of any corporate name or other business name; (2) with any prefix,

suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) for performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner for a Website without our prior written approval; or (5) in any other manner that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your business and Salons in the manner we specify (such as on invoices, order forms, receipts, and contracts). You must also give the trademark registration notices that we designate, and obtain any assumed business name registrations that applicable law requires.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks. Other than our Intellectual Property License with HC Salon Brand Holdings, LLC, no agreement significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise.

Except as described above, we know of no superior prior rights or infringing uses of our Proprietary Marks.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in compliance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement, as well as your out of pocket costs (except that you will bear the salary costs of your employees). If we determine that you have not used the Proprietary Marks in compliance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement, and you must promptly reimburse us for those amounts. If there is any litigation due to your use of the Proprietary Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Proprietary Mark or for you and the Salon to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. Neither we nor our Affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

No patents (or pending patent applications) are material to the operation of your Salon.

Copyrights

We own common law copyrights in various materials used in our business and the development and operation of Salons, including the Manual, marketing, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. The Franchise Agreement does not require you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our Affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Confidential Information

Except for the purpose of operating the Salon under the Franchise Agreement, you may never (during the Franchise Agreement's term or after that) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Salon that may be communicated to you or that you may learn by virtue of your operation of a Salon. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Salon. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Managing Principal, Salon Leader, District Leader and your other employees, supervisors and principals, to sign a Non-Disclosure and Non-Competition Agreement. Every one of these agreements must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Salon. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this Non-Disclosure and Non-Competition Agreement is attached to the Franchise Agreement as **Attachment H**.

Confidential Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business according to our Manual. We will grant you electronic access to our Manual only for the term of the Franchise Agreement (no printed copies will be provided).

You must always treat in a confidential manner the Manual, any other manuals we create (or that we approve) for use with the Salon, and the information contained in the Manual. You must use best efforts to maintain this information as secret and confidential. You may not copy, duplicate, record, or otherwise reproduce the Manual and the related materials, or any part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. If you print any portions of the Manual you must always keep such printed portions of the Manual in a secure place at the Salon's premises.

We may periodically revise the contents of the Manual, and you must adopt such changes to the Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, our master copy of the Manual (maintained at our home office) will be controlling.

Improvements to the System

If you make or acquire any improvements, including any enhancements, adaptations, derivative works, modifications or new processes in the operation of the Salon, you will grant-back rights in these improvements to us in consideration of the grant of the franchise and without the payment of additional consideration. If we seek patent protection or copyright registration for any improvements, we will do so at our own expense. You will sign or have the creator sign all documents necessary to enable us to apply for intellectual property rights protection and to secure all rights to these improvements. You will have each of your employees sign an agreement requiring employee cooperation with the foregoing requirements. You agree that this does not constitute our consent to your modification of any Bubbles intellectual property or the creation of any derivative work based on any Bubbles copyright and you must obtain our express written consent before making the modification or derivative work.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are a corporation, partnership, trust or LLC, you must appoint an individual (who must be one of your owners) as your “**Managing Principal**.” The Managing Principal will have overall responsibility for the Salon and be our primary contact regarding the Salon and must complete our training program (see Item 11), have authority over all business decisions related to the Salon, and have the power to bind you in all dealings with us. You may not change the Managing Member without our prior approval.

The Salon must be under the active full-time day-to-day management of either you, the Managing Principal (if you are a corporation or a partnership) or a “**Salon Leader**” who has successfully completed (to our satisfaction) our Salon Training Program. As noted in Item 14 above, we may require you, your Managing Principal, Salon Leader, District Leader and your other employees, supervisors and principals, to sign a Non-Disclosure and Non-Competition Agreement, the form of which is attached to the Franchise Agreement as **Attachment H**. We do not impose any other restrictions on your managers.

If you operate ten or more Salons (including those operated by your affiliates), then you must also designate one or more individuals who will act as the District Leader with responsibilities for coordinating operating activities among each of your Salons and who must complete the District Leader Training Program discussed in Item 11 above. You must have at least one Certified District Leader for every ten Salons owned and operated by you or any of your affiliates. Each District Leader may be responsible for up to ten Salons.

In addition, we require each of your present and future: (i) shareholders, if you are a corporation; (ii) members, if you are a limited liability company; (iii) partners, if you are a partnership or limited liability partnership; and (iv) beneficial owners if you are a trust to jointly and severally guarantee your performance of each and every provision of the Franchise Agreement by signing a Guarantee, Indemnification and Acknowledge Agreement, the form of which is attached to the Franchise Agreement as **Attachment B**.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer the Services and sell the Hair Care Products that we have authorized to be offered and sold by Salons, which we will specify in the Manual or otherwise in writing. You must offer and sell all of the Services and Hair Care Products that we may designate as mandatory offerings to customers. We have

the right, without limit, to change the types of authorized Hair Care Products and Services (although hair salon services generally will remain a core offering). In doing so, you must offer for sale only items that we have designated or approved as Retail Products.

Additionally, as noted above in Items 8 and 12, you may only offer Services and sell Hair Care Products at the Salon, only to retail customers. You may not offer off-site Services (for example, for bridal parties) without our prior written approval, and in compliance with any standards that we prescribe for those types of Services. You may not offer Services and/or sell Hair Care Products through any means other than through the Salon (for example, you may not offer or sell Hair Care Products in bulk or wholesale fashion, from remote sites, satellite locations, temporary locations, carts or kiosks, or by use of catalogs, the Internet, or through any other electronic or print media).

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Agreement	Summary (Note 1)
a Length of the franchise term	2.1 of the Franchise Agreement	The earlier of: (a) 10 years from the date the Salon opens for business; or (b) 11 years from the effective date of the Franchise Agreement.
b Renewal or extension of the term	2.2 of the Franchise Agreement	Two additional 5-year successor terms, subject to certain contractual requirements described in “c” below.
c Requirements for you to renew or extend	2.2 of the Franchise Agreement	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, not in material default, release, sign then-current form of Franchise Agreement, which may contain different terms and conditions than the original agreement, and others (see §§ 2.2.1 –2.2.9 in Franchise Agreement).
d Termination by you	Not applicable	You have no right to terminate the Franchise Agreement.
e Termination by us without cause	Not applicable	Not applicable.

Provision	Section in Agreement	Summary (Note 1)
f Termination by us with cause	17 of the Franchise Agreement	Default under agreement, bankruptcy, abandonment, and other grounds; see § 17 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, 11 U.S.C. Section 101 et seq., we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
g “Cause” defined – curable defaults	17.3 of the Franchise Agreement	All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.
h “Cause” defined – non-curable defaults	17.1 and 17.2 of the Franchise Agreement	Bankruptcy, abandonment, conviction of felony, and others (but under the U.S. Bankruptcy Code, 11 U.S.C. Section 101 et seq., we may be unable to terminate the agreement merely because you make a bankruptcy filing).
i Your obligations on termination/nonrenewal	18 of the Franchise Agreement	Immediately stop operating the Salon, payment of amounts due, pay lost future royalties, and others; see §§ 18.1 – 18.12 of the Franchise Agreement.
j Assignment of contract by us	16.1 of the Franchise Agreement	There are no limits on our right to assign the agreement.
k “Transfer” by you – defined	16.4.1 – 16.4.4 of the Franchise Agreement	Includes transfer of any interest.
l Our approval of transfer by you	16.4 of the Franchise Agreement	We have the right to approve transfers.
m Conditions for our approval of transfer	16.5 of the Franchise Agreement	Release, signature of new agreement, payment of transfer fee, and others.
n Our right of first refusal to acquire your business	16.6 of the Franchise Agreement	We can match any offer.
o Our option to purchase your business	18.4 and 18.9 of the Franchise Agreement	We can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at lesser of cost or fair market value.

Provision	Section in Agreement	Summary (Note 1)
p Your death or disability	16.7 of the Franchise Agreement	Your estate must transfer your interest to a third party we have approved, within a year after death or six months after the onset of disability.
q Non-competition covenants during the term of the franchise	19.2, 19.3 and 19.4 of the Franchise Agreement	Includes prohibition on engaging in a “Competitive Business,” which is a retail business that derives more than twenty-25% of its revenue from providing hair cutting, styling, coloring, or texturing services, or from the sale of related retail hair care products similar to those offered in the System (including over the internet) within 10 miles of the Authorized Locations or of any other Salons then-operating under the System or under any of our “Other Brands” .
r Non-competition covenants after the franchise is terminated or expires	19.3 and 19.4 of the Franchise Agreement	Includes a two year prohibition similar to “q” (above), within 10 miles of the Authorized Location or any other Salon then-operating under the System or under the <i>Hair Cattery</i> system or any other hair care system that we or our Affiliates own.
s Modification of the agreement	25 of the Franchise Agreement	Must be in writing signed by both parties.
t Integration / merger clause	25 of the Franchise Agreement	Only the final written terms of the agreement are binding, subject to state law. Any representation or promises outside of the Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u Dispute resolution by arbitration or mediation	27.3 of the Franchise Agreement	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except that we can go to court to seek injunctive relief).

Provision	Section in Agreement	Summary (Note 1)
v Choice of forum	27.2 of the Franchise Agreement	If you bring litigation against us, you must do so in the state and judicial district where we maintain our principal place of business. We may bring litigation against you within the state and judicial district in which we maintain our principal place of business or within the state and judicial district in which you or your Salon is located. (Various state disclosure addenda and agreement amendments are attached as an exhibit to this Franchise Disclosure Document and contain additional terms that may be required under applicable state law.)
w Choice of law	27.1 of the Franchise Agreement	Florida law applies. (Various state disclosure addenda and agreement amendments are attached as an exhibit to this Franchise Disclosure Document and contain additional terms that may be required under applicable state law.)

Development Agreement

Provision	Section in Development Agreement	Summary (Note 1)
a Length of the franchise term	3 of Development Agreement	The term of the Development Agreement ends on the last date specified in the Development Schedule (unless the agreement is terminated sooner or if you develop your Salons faster than required under the Development Schedule).
b Renewal or extension of the term	3	There are no renewal rights under the Development Agreement.
c Requirements for you to renew or extend	Not applicable	Not applicable.
d Termination by you	Not applicable	You have no right to terminate the Development Agreement.
e Termination by us without cause	Not applicable	Not applicable.

Provision	Section in Development Agreement	Summary (Note 1)
f Termination by us with cause	10 of Development Agreement	Default under agreement, bankruptcy, abandonment, and other grounds; see § 10 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, 11 U.S.C. Section 101 et seq., we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
g “Cause” defined – curable defaults	10.3 of Development Agreement	All other defaults not specified in §§ 10.1 and 10.2 of the Development Agreement.
h “Cause” defined – non-curable defaults	10.1 and 10.2 of Development Agreement	Default under the Development Schedule, Bankruptcy, abandonment, conviction of felony, and others (but under the U.S. Bankruptcy Code, 11 U.S.C. Section 101 et seq., we may be unable to terminate the agreement merely because you make a bankruptcy filing).
i Your obligations on termination/nonrenewal	11 of Development Agreement	Cease developing Salons, payment of amounts due, and others; see §§ 11.1 – 11.6 of the Development Agreement.
j Assignment of contract by us	8.1 of the Development Agreement	There are no limits on our right to assign the agreement.
k “Transfer” by you – defined	8.3 of Development Agreement	Includes transfer of any interest.
l Our approval of transfer by you	8.3 of Development Agreement	We have the right to approve transfers.
m Conditions for our approval of transfer	8.4 of Development Agreement	Release, signature of new agreement, payment of transfer fee, and others.
n Our right of first refusal to acquire your business	8.5 of Development Agreement	We can match any offer.
o Our option to purchase your business	Not applicable	Not applicable.
p Your death or disability	8.6 of Development Agreement	Your estate must transfer your interest to a third party we have approved, within a year after death or 6 months after the onset of disability.

Provision	Section in Development Agreement	Summary (Note 1)
q Non-competition covenants during the term of the franchise	12.2 - 12.4 of Development Agreement	Includes prohibition similar to “q” (above), within the Development Area, and also within 10 miles of any other Salons then-operating under the <i>Hair Cuttery</i> system or any other hair care system that we or our Affiliates own.
r Non-competition covenants after the franchise is terminated or expires	12.2-12.5 of Development Agreement	Includes a two year prohibition similar to “q” (above), within the Development Area and/or within 10 miles of any other Salon then-operating under the System or under the <i>Hair Cuttery</i> system or any other hair care system that we or our Affiliates own.
s Modification of the agreement	18 of Development Agreement	Must be in writing signed by both parties.
t Integration / merger clause	18 of Development Agreement	Only the final written terms of the agreement are binding, subject to state law. Any representation or promises outside of the Franchise Disclosure Document and Development Agreement may not be enforceable.
u Dispute resolution by arbitration or mediation	20.3 of Development Agreement	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except that we can go to court to seek injunctive relief).
v Choice of forum	20.2 of Development Agreement	If you bring litigation against us, you must do so in the state and judicial district where we maintain our principal place of business. We may bring litigation against you within the state and judicial district in which we maintain our principal place of business or within the state and judicial district in which you or your Salon is located. (Various state disclosure addenda and agreement amendments are attached as an exhibit to this Franchise Disclosure Document and contain additional terms that may be required under applicable state law.)

Provision	Section in Development Agreement	Summary (Note 1)
w Choice of law	Florida	Florida law applies. (Various state disclosure addenda and agreement amendments are attached as an exhibit to this Franchise Disclosure Document and contain additional terms that may be required under applicable state law.)

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-operated outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: 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.

Table No. 1 through Table No. 7 contain financial performance information for the 14 Salons owned by HC Holdings (“**Company-Operated Salons**”) for the full calendar year 2019 (“**Operating Period**”) that are still currently owned and operated by such affiliates as of the issuance date of this Franchise Disclosure Document. As a result of the COVID-19 pandemic, all Company-Operated Salons were closed for in-store services for some period between mid-March 2020 and June 2020. As of the issuance date of this Franchise Disclosure Document, all Company-Operated Salons have been able to reopen; however, the Company-Operated Salons are required to follow all applicable guidelines announced by governmental entities, such as limited hours of operations and limited capacity to ensure proper social distancing. Due to the impacts of the COVID-19 pandemic, the financial information of the Company-Operated Salons for the full calendar year 2020 is not included in this Item 19.

The information in the seven tables of this Item 19 is organized into thirds (“**Thirds**”) which were determined based on the Gross Sales generated by Company-Operated Salons during Operating Period in descending order, and includes the financial information for all Company-Operated Salons operating during the Operating Period.

The first Third is comprised of the five Company-Operated Salons that generated the highest Gross Sales during the Operating Period (“**First Third**”); the second Third is comprised of the four Company-Operated Salons that generated the second highest Gross Sales during the Operating Period (“**Second Third**”); and the final Third is comprised of the five Company-Operated Salons that generated the lowest Gross Sales during the Operating Period (“**Third Third**”). The total figures (“**Total**”) are comprised of financial information from all 14 Company-Operated Salons.

The financial information contained in Table No. 1 through Table No. 6 is not based on any franchised Salons. Corporate-Operated Salons are not subject to the Royalty Fee, the Brand Fund Contributions, or the Product Adjustment Markup Expenses due to franchisor and required pursuant to the Franchise Agreement. To reflect additional operating expenses that will be incurred by a franchisee, Table No. 7 includes: (i) imputed Royalty Fees, (ii) imputed Brand Fund Contributions, and (iii) imputed Product Adjustment Markup Expenses. The figures in Table No. 7 represent the average adjusted Salon EBITDA based on the imputed Royalty Fees, imputed Brand Fund Contributions, and imputed Product Adjustment Markup Expenses that would have been incurred by Company-Operated Salons during the Operating Period if those Salons were franchised Salons.

TABLE NO. 1
GROSS SALES (2)

Third	First	Second	Third	Total
Number of Salons	5	4	5	14
High Gross Sales	\$1,578,733	\$1,078,234	\$784,258	\$1,578,733
Low Gross Sales	\$1,131,773	\$829,294	\$578,920	\$578,920
Average Gross Sales	\$1,345,664	\$1,009,618	\$682,241	\$1,012,714
Number of Salons that Met or Exceeded Average Gross Sales	2	3	3	8
Median Gross Sales	\$1,252,138	\$1,065,472	\$690,026	\$1,065,472

TABLE NO. 2**STORE PAYROLL, TAXES AND BENEFITS (3)**

Third	First	Second	Third	Total
Number of Salons	5	4	5	14
High Store Payroll, Taxes and Benefits	\$1,045,948	\$655,491	\$512,896	\$1,045,948
Low Store Payroll, Taxes and Benefits	\$666,164	\$521,584	\$358,449	\$358,449
Average Store Payroll, Taxes and Benefits	\$832,262	\$608,530	\$427,462	\$623,767
Number of Salons that Met or Exceeded Average Store Payroll, Taxes and Benefits	2	3	3	8
Median Store Payroll, Taxes and Benefits	\$718,208	\$628,522	\$432,530	\$628,522

TABLE NO. 3**COST OF SALES (4)**

Third	First	Second	Third	Total
Number of Salons	5	4	5	14
High Cost of Sales	\$154,458	\$80,189	\$68,152	\$154,458
Low Cost of Sales	\$101,036	\$72,046	\$46,783	\$46,783
Average Cost of Sales	\$115,824	\$76,850	\$52,740	\$82,158
Number of Salons that Met or Exceeded Average Cost of Sales	2	2	2	5
Median Cost of Sales	\$102,877	\$77,582	\$47,332	\$77,582

TABLE NO. 4
CONTROLLABLE EXPENSES (5)

Third	First	Second	Third	Total
Number of Salons	5	4	5	14
High Controllable Expenses	\$120,078	\$70,489	\$55,847	\$120,078
Low Controllable Expenses	\$66,678	\$55,862	\$34,738	\$34,738
Average Controllable Expenses	\$83,727	\$65,678	\$48,620	\$66,032
Number of Salons that Met or Exceeded Average Controllable Expenses	1	3	3	8
Median Controllable Expenses	\$79,008	\$68,180	\$52,024	\$66,805

TABLE NO. 5
OCCUPANCY COSTS (6)

Third	First	Second	Third	Total
Number of Salons	5	4	5	14
High Occupancy Costs	\$121,524	\$127,540	\$95,941	\$127,540
Low Occupancy Costs	\$72,420	\$58,810	\$59,136	\$58,810
Average Occupancy Costs	\$96,243	\$94,763	\$70,894	\$86,767
Number of Salons that Met or Exceeded Average Occupancy Costs	3	2	2	6
Median Occupancy Costs	\$96,581	\$96,350	\$66,423	\$74,411

TABLE NO. 6
SALON EBITDA (7)

Third	First	Second	Third	Total
Number of Salons	5	4	5	14
High Salon EBITDA	\$233,420	\$214,335	\$109,983	\$233,420
Low Salon EBITDA	\$203,787	\$117,172	\$28,820	\$28,820
Average Salon EBITDA	\$217,609	\$163,798	\$82,526	\$153,990
Number of Salons that Met or Exceeded Average Salon EBITDA	3	2	3	8
Median Salon EBITDA	\$218,490	\$161,843	\$96,473	\$161,843

TABLE NO. 7
ADJUSTED SALON EBITDA

Third	First	Second	Third	Total
Number of Salons	5	4	5	14
Average Gross Sales	\$1,345,664	\$1,009,618	\$682,241	\$1,012,714
Average Salon EBITDA	\$217,609	\$163,798	\$82,526	\$153,990
Imputed Royalty Fees (8)	\$80,740	\$60,577	\$40,934	\$60,763
Imputed Brand Fund Contributions (9)	\$33,435	\$25,014	\$16,937	\$25,137
Imputed Product Adjustment Markup Expenses (10)	\$12,267	\$9,001	\$8,996	\$10,166
Average Adjusted Salon EBITDA (11)	\$91,167	\$69,206	\$15,659	\$57,924
Average Adjusted Salon EBITDA as Percentage of Average Gross Sales	6.8%	6.9%	2.3%	5.7%

NOTES TO TABLE NO. 1 THROUGH TABLE NO. 7

- (1) The information in these tables is for the Operating Period, which was before COVID-19 was declared a health pandemic, for the 14 Company-Operated Salons in the System that were operated by our predecessor, CHI, during the Operating Period and were also operated by HC Holdings as of the date of this Franchise Disclosure Document. The balance of the Salons that were operated by CHI during the Operating Period were closed prior to HC Holding's acquisition of substantially all of the assets of the Bubbles System and are not included in this Item 19. (See Item 4 for summary of bankruptcy proceedings).
- (2) Gross Sales. Gross Sales include sales of all stylist services, merchandise, and other items, net of sales taxes, discounts, or returns.
- (3) Store Payroll, Taxes and Benefits. Store Payroll, Taxes and Benefits include wages paid to all hourly employees, commissioned employees, and salaried management employees working in the Company-Operated Salons, as well as all Salon manager bonuses, but does not include labor costs for employees above the Salon level. A franchisee's labor costs may vary depending on the size of the franchisee's total employment base, the prevailing wage rates in the area of the country in which the franchised Salon is located, and the specific labor laws. Benefits include all employer and payroll taxes, workers' compensation, and expenses for vacation and health insurance. A franchisee's benefits cost will vary depending on the amount of vacation time granted, the amount and type of insurance coverage provided to employees, the size of the franchisee's total employment base, other benefits offered by the franchisee, and specific local requirements.
- (4) Cost of Sales. Cost of Sales include all hair products, merchandise, and distribution costs purchased by a Salon and sold to customers, less supplier rebates.
- (5) Controllable Expenses. Controllable Expenses include cash over and short, supplies, uniforms, repair and maintenance, utilities, telephone, security, armored car services, banking and ATM fees, waste management, certain equipment rental charges, mileage reimbursement, certain pre-opening costs, personal property taxes, business insurance, and license and permit fees. Controllable Expenses also include a modest amount of marketing expenses (ranging between one fifth of one percent (0.2%) and two fifths of one percent (0.4%) of Gross Sales) booked at the individual Salon level by the Company-Operated Salons during the Operating Period. The vast majority of marketing expenses were historically incurred at the corporate level, and not at the Salon level. Our management team has determined that marketing expenses booked at the corporate level, when added to the marketing expenses booked at the individual Salon level, equaled approximately two and one half percent (2.5%) of Gross Sales. Franchisees will be required to spend at least two and one half percent (2.5%) of weekly Gross Sales on marketing (see note 9 below).
- (6) Occupancy Costs. Occupancy Costs include base rent, percentage rent, common area maintenance, insurance, real estate taxes, and other miscellaneous lease expenses, but does not include depreciation or amortization.
- (7) Salon EBITDA. Salon EBITDA equals Salon-level Earnings Before Interest, Taxes, Depreciation, and Amortization. Salon EBITDA is calculated based on the Gross Sales less Store Payroll, Taxes and Benefits, Cost of Sales, Controllable Expenses, and Occupancy Costs. This category does not include general and administrative expenses above the Salon level or expenses due to the franchisor detailed in Table No. 7.

- (8) Imputed Royalty Fees. Franchisees will be required to pay a Royalty Fee of six percent (6.0%) of weekly Gross Sales. The imputed Royalty Fees in Table No. 7 is calculated based on the average Gross Sales set forth in Table No. 1.
- (9) Imputed Brand Fund Contributions. Franchisees will be required to make Brand Fund Contributions equal to two and one-half percent (2.5%) of weekly Gross Sales. The imputed Brand Fund Contributions in Table No. 7 reflect the difference between the marketing expenses allocated at the Salon level during the Operating Period and the two and one half percent (2.5%) of Gross Sales that franchisees are required to pay pursuant to the Franchise Agreement. As noted in footnote 5 above, the combined marketing expenses between the corporate level and the Salon level during the Operating Period equaled approximately two and one half percent (2.5%) of average Gross Sales per Salon.
- (10) Imputed Product Adjustment Markup Expenses. Franchisees will be subject to product markups equal to the amount of one and six tenths percent (1.6%) of Gross Sales. The imputed Product Adjustment Markup Expenses in Table No. 7 is calculated based on the average Gross Sales set forth in Table No. 1.
- (11) Adjusted Salon EBITDA. Adjusted Salon EBITDA is calculated based on Salon EBITDA less imputed Royalty Fees, imputed Brand Fund Contributions, and imputed Product Adjustment Markup Expenses.

The information presented is unaudited and was prepared using uniform accounting methods consistent with generally accepted accounting principles.

Some Salons have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.

You are responsible for developing your own business plan for your franchised Salons including capital budgets, financial statements, projections, and other elements appropriate to your particular circumstances. We encourage you to consult with your own accounting, business and legal advisors and to make necessary allowances for changes in financial results to income, expenses or both. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised Salons.

Written substantiation of the financial performance representation will be made available to you upon reasonable request at our corporate offices at 2875 NE 191 Street, Suite 905, Aventura, Florida 33180.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mr. Seth Gittlitz at 2875 NE 191 Street, Suite 905 Aventura, Florida 33180 (tel: (305) 709-3545), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

**TABLE 1:
SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2018 TO 2020 (Note 1)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Company-Owned (Note 2)	2018	35	33	-2
	2019	33	33	0
	2020	33	15	-18
Total Outlets	2018	35	33	-2
	2019	33	33	0
	2020	33	15	-18

Notes

- (1) All numbers are as of the respective calendar year end. Each calendar year ends on December 31. As described in Item 1, we began to offer franchises for Bubbles Salons in 2022 with this Franchise Disclosure Document.
- (2) As described in Item 1, we do not operate Salons. As of the date of this Disclosure Document our parent, HC Holdings operated the 15 Affiliate Owned Salons in the States of Maryland and Virginia.
- (3) The reduction of 18 in the Salon Count as of 12/31/20 reflects the closure of 19 Salons by our Predecessors in Bankruptcy prior to the acquisition of the 14 active Company Owned Salons by the HC HOLDINGS on 6/4/20. HC HOLDINGS thereafter opened one new Salon during the balance of Calendar Year 2020.

**TABLE 2:
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2018 TO 2020 (Note 1)**

State (Note 2)	Year	Number of Transfers
Any State	2018	0
	2019	0
	2020	0

State (Note 2)	Year	Number of Transfers
Total	2018	0
	2019	0
	2020	0

Notes

- (1) All numbers are as of the respective calendar year end. Each calendar year ends on December 31. As described in Item 1, we began to offer franchises for Bubbles Salons in 2022 with this Franchise Disclosure Document. We do not yet have any franchisees, so no franchisee transfers took place.
- (2) States not listed had no activity during the relevant time frame.

**TABLE 3:
STATUS OF FRANCHISED OUTLETS FOR YEARS 2018 TO 2020 (Note 1)**

State (Note 2)	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Any State	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Totals	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0

Notes

- (1) All numbers are as of the respective calendar year end. Each calendar year ends on December 31. As described in Item 1, we began to offer franchises for Bubbles Salons in 2022 with this Franchise Disclosure Document.
- (2) States not listed had no activity during the relevant time frame.

**TABLE 4:
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2018 TO 2020 (Notes 1 and 2)**

State (Note 2)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Re-acquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
DC	2018	4	0	0	1	0	3
	2019	3	0	0	0	0	3
	2020	3	0	0	3	0	0
MD	2018	14	2	0	3	0	13
	2019	13	0	0	13	0	13
	2020	13	0	0	6	0	7
VA	2018	17	0	0		0	0
	2019	17	0	0	0	0	17
	2020	17	1	0	10	0	8
Total	2018	35	2	0	4	0	33
	2019	33	0	0	13	0	33
	2020	33	1	0	19	0	15

Notes

- (1) All numbers are as of the respective calendar year end. Each calendar year ends on December 31. As described in Item 1, we began to offer franchises for Bubbles Salons in 2022 with this Franchise Disclosure Document.
- (2) As described in Item 1, we do not operate Salons. All of the Affiliate Owned Salons. are owned and operated by our Parent, HC Holdings. As of the date of this Disclosure Document, HC HOLDINGS operated the 15 Affiliate Owned Salons in the States of Maryland and Virginia which were acquired in Bankruptcy from the Predecessor Companies on June 4, 2020.

**TABLE 5 (a):
PROJECTED OPENINGS OF NEW FRANCHISED SALONS FOR CALENDAR YEAR 2022**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
FL	0	3	0
VA	0	0	1
TOTAL	0	3	1

Notes

- (1) For the calendar year beginning January 1, 2022.
- (2) States not listed are not expected to have any new franchises in the next year.
- (3) The above Chart represents new franchised Salons to be developed during the Period and excludes any existing Affiliate Owned Salons that may be sold to franchisees during the Period (which are separately estimated in Chart 5(b) below)

**TABLE 5 (b):
PROJECTED SALE OF COMPANY-OWNED SALONS TO FRANCHISEES FOR CALENDAR YEAR 2022 (Note 1)**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
MD	0	6	0
VA	0	8	1
TOTAL	0	14	1

Notes

- (1) For the calendar year beginning January 1, 2022.
- (2) States not listed are not expected to have any Company-Owned Salons sold to franchisees in the next year.
- (3) The above Chart represents existing Salons owned and operated by HC Holdings that may be sold to franchisees during the Period, but excludes new franchised Salons to be developed during the Period (which are separately estimated in Chart 5(a) above). Our Affiliates may sell more or fewer Salons than projected in Chart 5(b).

* * * *

The names, addresses, and telephone numbers of our current franchisees are listed in **Exhibit B**. **Exhibit B** also provides the name and last known address and telephone number of every one of our franchisees who

has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the one-year period ending December 31, 2020, or who has not communicated with us within ten weeks of the date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed a confidentiality clause in a franchise agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with us. As of the date of this Franchise Disclosure Document, there are no Bubbles franchisee associations in existence regardless of whether they use our trademark or not.

ITEM 21

FINANCIAL STATEMENTS

Our opening audited balance sheet as of October 31, 2021 is attached to this Franchise Disclosure Document as **Exhibit C**. Our fiscal year ends on the last day of September each year. As noted in Item I, we were formed on October 7, 2021 and began operations on October 8, 2021. We have not been in business for three years or more and cannot include all financial statements required in accordance with Section (u)(2)(iv) Item 21, Financial Statements of the NASAA Amended and Restated Guidelines.

ITEM 22

CONTRACTS

The following contracts are attached as exhibits to this Franchise Disclosure Document:

- **Exhibit D:** Franchise Agreement, with its attachments:
 - (1) Data Addendum
 - (2) Guarantee, Indemnification and Acknowledgment
 - (3) List of Principals
 - (4) EFT/ACH Authorization Form
 - (5) ADA Certification
 - (6) Lease Rider
 - (7) Site Selection Addendum
 - (8) Sample Form Non-Disclosure and Non-Competition Agreement
 - (9) Phone Number Assignment Form
 - (10) Finder's Agreement
 - (11) General Release

- **Exhibit E:** Development Agreement, with its appendices:
 - (1) Development Information
 - (2) Guarantee, Indemnification and Acknowledgment
 - (3) List of Principals and Managing Principal

- **Exhibit G:** Franchise Compliance Certification

ITEM 23

RECEIPTS

The last two pages of this Franchise Disclosure Document (**Exhibit I**) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this Franchise Disclosure Document.

[THE REMAINDER OF THIS PAGE IS BLANK]

EXHIBIT A

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We intend to register this Franchise Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	California Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	Tele: 402-471-2171	
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty St. 21 st FL New York, NY 10005 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	South Dakota Department of Labor and Regulation	Director of the South Dakota Division of Securities Regulation

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	Division of Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563	Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT B

LIST OF BUBBLES FRANCHISEES IN THE U.S.

As of December 31, 2020

None.

LIST OF FORMER FRANCHISEES IN THE U.S.

During the fiscal year ended December 31, 2020

There are no franchisees with whom we had no contact in the last 10 weeks.

LIST OF COMPANY-OWNED OR AFFILIATE-OWNED UNITS.

Brand	Salon Name	Street Address	City	State	Zip Code
Bubbles	Bubbles Spectrum	1827 Fountain Drive	Reston	VA	20190-3326
Bubbles	Bubbles Annapolis Harbour Center	2564 Solomons Island Rd	Annapolis	MD	21401-3710
Bubbles	Bubbles Fairfax Corner	11946 Grand Commons Ave	Fairfax	VA	22030-8613
Bubbles	Bubbles Atlas Walk	7328 Atlas Walk Way	Gainesville	VA	20155-2991
Bubbles	Bubbles Hollymead Town Center	205 Connor Dr	Charlottesville	VA	22911-5604
Bubbles	Bubbles Dulles 28 Centre	22000 Dulles Retail Plaza Ste 150	Sterling	VA	20166-2513
Bubbles	Bubbles Ft. Evans Plaza II	520 Fort Evans Road	Leesburg	VA	20176-4097
Bubbles	Bubbles Waugh Chapel Towne Centre	2389 Brandermill Blvd Suite 105	Gambrills	MD	21054-1870
Bubbles	Bubbles Stonebridge at Potomac	14901 Potomac Town Place Suite 125	Woodbridge	VA	22191-4096
Bubbles	Bubbles The Shops at Seneca Meadows	20640 Seneca Meadows Parkwy Suite D3	Germantown	MD	20876-7023
Bubbles	Bubbles Shoppes of Olney	3118 Olney Sandy Spring Road	Olney	MD	20832-1408
Bubbles	Bubbles Home Depot Square	10462 Auto Park Avenue	Bethesda	MD	20817-1006
Bubbles	Bubbles Annapolis Plaza	150 Jennifer Road Suite R	Annapolis	MD	21401-3044
Bubbles	Bubbles The Metropolitan	10100 Twin Rivers Road Suite 119	Columbia	MD	21044
Bubbles	Bubbles Pentagon Center	1201 S Hayes Street Unit G	Arlington	VA	22202

EXHIBIT C
FINANCIAL STATEMENTS

**HCF USA1, LLC
(A Limited Liability Company)**

**Financial Statement
and Independent Auditor's Report**

October 31, 2021

HCF USA1, LLC
(A Limited Liability Company)

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Independent Auditor's Report

To the Member
HCF USA1, LLC

We have audited the accompanying balance sheet of HCF USA1, LLC as of October 31, 2021 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of HCF USA1, LLC as of October 31, 2021 in accordance with accounting principles generally accepted in the United States of America.



New York, New York
December 10, 2021

**HCF USA1, LLC and Affiliate
(A Limited Liability Company)**

**Balance Sheet
October 31, 2021**

Assets

Current assets

Cash

\$ 1,000,000

Total

\$ 1,000,000

Liabilities and Member's Equity

Liabilities

\$ -

Member's equity

1,000,000

Total

\$ 1,000,000

See Notes to Financial Statement.

**HCF USA1, LLC and Affiliate
(A Limited Liability Company)**

**Notes to Financial Statement
October 31, 2021**

Note 1 - Organization and description of business

Business

HCF USA1, LLC was formed on October 7, 2021 in the State of Delaware and is governed by its operating agreement (the "Operating Agreement"). HCF USA1, LLC ("HCF," or the "Company") franchises beauty salons under the Hair Cuttery and Bubbles brands throughout the United States of America. The Company sells beauty salon franchise opportunities to third-party investors, provides development services and administers the advertising fund for new salons in the program and brand marketing fees for administering the AdFund. At October 31, 2021, the Company has not franchised any beauty salons.

The Company is a limited liability company which will continue in existence subject to the terms and conditions of its Operating Agreement. The obligations of the member are limited to its capital contributions.

Note 2 - Summary of significant accounting policies

Basis of preparation

The financial statement is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America 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 statement. Actual results could differ from those estimates and the differences could be material.

Cash

The Company maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The Company had \$750,000 in excess of federally insured limits. The Company monitors the financial position of the financial institution it uses and has not experienced any losses to date.

Income taxes

The Company elected income tax status as a limited liability company. Under this election, the Company is not subject to federal income taxes and all taxes and all taxable income are passed through to the member.

The Company has no unrecognized tax benefits as of October 31, 2021. The Company's tax years since inception are subject to a tax examination by any federal, state or local authority.

Subsequent events

The Company has evaluated subsequent events through December 10, 2021, which is the date the financial statements were available to be issued.

**HCF USA1, LLC and Affiliate
(A Limited Liability Company)**

**Notes to Financial Statement
October 31, 2021**

Note 3 - Concentration of credit risk

The Company is exposed to credit losses in the event of nonperformance by its franchisees. The Company anticipates, however, that its franchisees will be able to satisfy their obligations fully under the contracts and has determined that an allowance for doubtful accounts is not necessary. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but monitors the credit standings of its customers and reserves the right to terminate franchise agreements for nonpayment of amounts owed.

Note 4 - Commitments and contingencies

Ligation

The Company may be subject to legal proceedings, claims, and litigation arising in the ordinary course of business. As of October 31, 2021, the Company does not have any outstanding legal proceedings or claims.

Operating leases

As of October 31, 2021, the Company has no lease obligations.

Franchise and development agreements

The Company intends to enter into various franchise and development agreements whereby the Company grants franchisees and developers the right to develop and open locations in select locations.

As of October 31, 2021, there are no franchise locations opened.

Note 5 - Risk and uncertainties

The parent entity owns and operates 506 Hair Cuttery and Bubbles locations which do not pay franchise fees to the Company.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities which caused disruption domestically in the United States and the geographical areas in which the Company primarily operates. While disruption is expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while the Company expects this matter to have minor negative impact on the Company's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.



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EXHIBIT D
FRANCHISE AGREEMENT



Franchise Agreement

Between

HCF USA1, LLC

and

[Name of Franchisee]

Date:

DA #:

FA#:

BUBBLES®

THE COLOR SALON

FRANCHISE AGREEMENT

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ATTACHMENTS:

- A Data Addendum
- B Guarantee, Indemnification, and Acknowledgement
- C List of Principals
- D EFT/ACH Authorization Form
- E ADA Certification
- F Lease Rider
- G Site Selection Addendum
- H Sample Form of Non-Disclosure and Non-Competition Agreement
- I Phone Number Assignment Form
- J Finder's Agreement
- K General Release



FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“**Agreement**”) is made and entered into as of the date that we have indicated on the signature page of this Agreement (“**Effective Date**”) by and between:

HCF USA1, LLC, a Delaware limited liability company with its principal place of business at 2875 NE 191 Street, Suite 905, Aventura, Florida 33180 (“**we**,” “**us**,” or “**Franchisor**”); and

- a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**you**” or “**Franchisee**”).

Introduction

A. We own a format and system relating to the establishment and operation of “**Bubbles**” hair and beauty salons, which are retail businesses operating under our Proprietary Marks in buildings that bear our interior and/or exterior trade dress (each one of which is referred to as a “**Salon**” or a “**Bubbles Salon**”). Salons specialize in offering a full complement of hair styling, hair cutting, hair coloring, hair texturing and related hair care services (together, the “**Services**”), and the retail sale to customers of related professional hair care and styling beauty products and tools from designated or approved suppliers (together, the “**Hair Care Products**” or “**Products**”). Among the Hair Care Products are products that are proprietary to us and to our affiliates, which may include shampoos, conditioners, and other hair and beauty treatments that are manufactured or prepared according to our specifications and formulas and which we may designate for use and/or for sale in Salons, including products bearing the “**CIBU**” marks (“**Proprietary Products**”). We may periodically adjust the list of Proprietary Products to include other hair and beauty-care items. Additionally, we may specify that only certain Hair Care Products that we designate may be used in providing Services to customers in Salons (“**Back Bar Products**”) and/or offered for retail sale to customers in Salons (“**Retail Products**”). You must purchase all Hair Care Products used and/or sold in your Franchised Salon from us, our affiliates, or our designees.

B. Among the distinguishing characteristics of a Salon are that it operates under our “**System**.” Our System includes (among other things): providing Services at affordable prices with appointments available, but walk-ins welcome; a distinctive interior and exterior design; equipment layouts and specifications; hair cutting and coloring techniques for Services; Proprietary Products; operational procedures; quality and uniformity of Services and Hair Care Products offered; procedures for management and inventory control; training and assistance; and advertising and marketing programs; stylist retention programs; regional and national events; business formats, methods, procedures, designs, layouts, standards, and specifications all of which we may periodically change, improve, and further develop (together, the “**System**” or “**System Standards**”).

C. We identify the System by means of our Proprietary Marks. Our proprietary marks include the certain trade names (for example, the “**Bubbles**” mark and logo), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically designate in writing for use in connection with the System (all of these are referred to as our “**Proprietary Marks**”). We continue to develop, use, and control the use of our Proprietary Marks in order

to identify for the public the source of services and products marketed under those marks and under the System, and to represent the System's high standards of quality, appearance, and service.

D. You have asked to enter into the business of operating a Salon under our System and the Proprietary Marks and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account (and in consideration of) all of the promises and commitments that they are each making to one another in this contract, and they agree to all of the following terms and conditions:

1. GRANT

- 1.1. *Rights and Obligations.* We grant to you the right, and you accept the obligation, all according to the terms and conditions of this Agreement, to:
 - 1.1.1. operate a Salon under the System and the Proprietary Marks at the Authorized Location ("**Franchised Salon**");
 - 1.1.2. use the Proprietary Marks and the System, but only in connection with the Franchised Salon (recognizing that we may periodically change or improve the Proprietary Marks and the System); and
 - 1.1.3. do all of these things at (and only at) the Authorized Location (as defined below).
- 1.2. *Authorized Location.* The street address of the location approved under this Agreement is specified in **Attachment A** to this Agreement and is referred to as the "**Authorized Location.**"
 - 1.2.1. Before we will give you our consent to the Authorized Location, you must execute and deliver to us the Lease Rider attached to this Agreement as **Attachment F** (which must also be signed by your landlord).
 - 1.2.2. When this Agreement is signed, if you have not yet obtained and we have not yet approved a location for the Franchised Salon, then you agree to lease, sublease, or acquire a site for the Franchised Salon, subject to our approval, all in accordance with the Site Selection Addendum attached as **Attachment G** ("**Site Selection Addendum**"). You will pay us (or our designated affiliate) a separate fee of Five Hundred Dollars (\$500) for each proposed site that you submit to us for review ("**Site Evaluation Fee**"). The Site Evaluation Fee will be paid at the time you submit each proposed site to us for review. We will not evaluate any proposed site unless and until the Site Evaluation Fee is paid for such proposed site.
 - 1.2.3. We have the right to grant or withhold approval of the Authorized Location under this Section 1.2. You acknowledge and agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that the Franchised Salon at the Authorized Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

- 1.2.4. You agree not to relocate the Franchised Salon without our prior written consent. Any proposed relocation will be subject to our review of the new site under our then-current standards for site selection, except that we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new salon to their establishment. In addition, and instead of a new franchise fee, you agree to (i) pay us (or our designated affiliate) our then current Site Evaluation Fee for each proposed new site you submit to us for review and (ii) reimburse us (or our designated affiliate) for any additional out-of-pocket costs that we incur in connection with reviewing and approving your proposed relocation, any related lease matters, and any necessary amendments to this Agreement (including our attorneys' fees).
- 1.3. *Protected Territory and Exclusions.* Provided you are otherwise in compliance with all of your obligations under this Agreement and all other agreements between you and us, and our respective parents, subsidiaries and affiliates, we agree not to establish, and not to license any other person or entity to establish another Bubbles Salon at any location within the area designated in **Attachment A** ("**Protected Territory**") during the Term of this Agreement, except as otherwise provided in this Section 1.
- 1.4. *Exclusions.* We retain all other rights, and may, among other things, on any terms and conditions we deem advisable, and without granting you any rights in these matters, do any or all of the following:
 - 1.4.1. We have the right to establish, and license others to establish Salons at any location outside the Protected Territory, despite their proximity to the Authorized Location or their actual or threatened impact on sales at your Franchised Salon.
 - 1.4.2. We have the right to establish, and license others to establish, Salons at any Captive Market Location (as defined below) inside or outside the Protected Territory, despite their proximity to the Authorized Location and/or the Protected Territory, or their actual or threatened impact on sales at your Franchised Salon.
 - 1.4.3. We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks (including but not limited to businesses operated under the "**Other Brands**" referred to in Section 1.6 below), even if those businesses offer services and/or sell products that are the same as or similar to the Services and/or Hair Care Products offered from the Franchised Salon, whether those businesses are located inside or outside the Protected Territory, despite these businesses' proximity to the Authorized Location or their actual or threatened impact on sales at your Franchised Salon.
 - 1.4.4. We have the right to acquire (or be acquired) and then operate any business of any kind, whether located inside or outside the Protected Territory, despite these business' or stores' proximity to the Authorized Location or its actual or threatened impact on sales at your Franchised Salon, but we will not convert these other businesses into Bubbles Salons operated in the Protected Territory as long as your exclusivity in the Protected Area hereunder continues.
 - 1.4.5. We have the right to offer, sell and distribute (including the right to license others to do the same), directly or indirectly, any Services and/or Hair Care Products (including Proprietary Products) from any location or to any purchaser (including

sales made to purchasers in the Protected Territory through electronic means, such as the Internet, other digital sites, and mail order), so long as those sales are not made directly from a Salon operated from a location inside the Protected Territory (excluding a Captive Market Location). We will not compensate you for sales we may make through any such alternative distribution channels.

1.4.6. Definitions.

1.4.6.1. The term “**Captive Market Location**” means a business to which end-users do not primarily come for the purpose of experiencing the Services or use or purchase Hair Care Products, such as hotels, casinos, department stores or other “big box” retailers, airports or other transportation centers, colleges or universities, military installations and other government operated facilities.

1.5. *Limits on Where You May Sell.* You agree that:

1.5.1. You may only offer Services and sell Hair Care Products at the Franchised Salon, only in accordance with the requirements of this Agreement and the procedures set forth in the Manual (as defined below), and only to retail customers.

1.5.2. You agree not to offer Services or sell Hair Care Products through any means other than through the Franchised Salon; and therefore, for example, you agree not to offer Services or sell Hair Care Products in bulk or wholesale fashion, or from remote sites, satellite locations, temporary locations, carts or kiosks, or by the use of any of the means described in Section 1.4.5 above.

1.5.3. You agree not to offer off-site Services (for example, for bridal parties, charities, or other promotional events) without our prior written approval and, if such approval is granted, such Services shall be offered in compliance with any standards that we prescribe for such Services.

1.6. *Other Brands.* You acknowledge that we and our affiliates operate or may operate in the future hair care and related businesses under brands that are not part of the “**Bubbles**” network or System, including, but not limited to, “*Hair Cuttery*” salons (these other businesses are referred to as the “**Other Brands**”). You further acknowledge and agree that: (a) this Agreement does not confer upon you any rights with respect to the Other Brands; (b) we and our affiliates may engage in any business activities whatsoever, at any location, in connection with the Other Brands; and (c) you will not to use any of the Other Brands in any manner whatsoever.

2. **TERM AND SUCCESSOR TERM**

2.1. *Term.* The term of this Agreement shall start on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, shall expire upon the earlier of: (a) ten years from the date upon which the Franchised Salon opens for business; or (b) 11 years from the Effective Date (“**Term**”).

2.2. *Successor Terms.* Subject to the terms of this Section 2.2, you will have the right to acquire a successor franchise for your Franchised Salon (“**Successor Franchise**”). If a Successor Franchise is granted, the successor term shall commence on the expiration of the Term of this Agreement and will continue for a period of five years (“**Successor Term**”). You will

have the right to two Successor Terms, subject to your having satisfied all of the following conditions prior to the beginning of each Successor Term:

- 2.2.1. You must give us written notice of your election to exercise your right to a Successor Franchise for the applicable Successor Term at least 12 months, but not more than 18 months, before the expiration of the then-current Term or Successor Term.
- 2.2.2. You (or your Designated Manager (as defined below) if you are a legal entity) and your salon personnel (including your Salon Leader (as defined below), assistant Salon Leaders (“**Assistant Salon Leaders**”), salon professionals and other salon employees) must meet our then-current qualification and training requirements.
- 2.2.3. You must not be in default with respect to your financial and other obligations to your lessor, suppliers, and any other parties with whom you do business at the time of your written notice and at the commencement date of the Successor Term.
- 2.2.4. You must remodel and refurbish the Franchised Salon to comply with our then-current standards in effect for new Salons (as well as the provisions of Section 5.10).
- 2.2.5. As of the commencement date of the Successor Term, you must be in material compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other agreement between you (and your affiliates) and us (and our affiliates) (and in our reasonable judgment, you must have been in material compliance during the Term of this Agreement), regardless of whether we issued a notice of default or exercised our right to terminate this Agreement if you did not meet your obligations.
- 2.2.6. You must have timely met all of your financial obligations to us, our affiliates, the Brand Fund (as defined below), and/or your vendors (including government authorities, such as for taxes due), throughout the Term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations).
- 2.2.7. You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the Successor Franchise provisions of the new franchise agreement, which shall not supersede this Section 2), and which you acknowledge may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage royalty fee and brand fund contribution). If you are an entity, then your direct and indirect owners, and the spouse or domestic partner of each direct or indirect owner, must sign and deliver to us a personal guarantee of your obligations under the then-current form of franchise agreement. (The term “**entity**” means a corporation, limited liability company, partnership, a limited liability partnership, trust and any other form of business entity.)
- 2.2.8. You must sign and deliver to us a general release, in a form substantially similar to **Attachment K** attached hereto (“**General Release**”), of any and all claims against us and our affiliates, and our respective officers, directors, attorneys, agents, and employees. If you are an entity, then your affiliates and your direct

and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.

- 2.2.9. Instead of a new initial franchise fee, you must pay us a successor fee, for each Successor Term, in an amount equal to the greater of: (a) 25% of our then-current initial franchise fee that we are charging to new franchisees under the System at the time the Successor Term commences; or (b) Ten Thousand Dollars (\$10,000) (“**Successor Fee**”). The Successor Fee must be paid to us at the time you sign our then-current form of franchise agreement for the applicable Successor Term.
- 2.3. *Interim Period.* If you do not sign a franchise agreement for the Successor Franchisor prior to the expiration of the Term of this Agreement or the then-current Successor Term, as applicable, and you continue to operate the Franchised Salon after this Agreement expires (“**Interim Period**”), then, at our option, we may treat this Agreement as either (a) expired as of the date of expiration of this Agreement with you then operating without a license to do so in violation of our rights; or (b) continued for the Interim Period until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of such notice. In the latter case, all of your and our obligations will remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

3. FRANCHISOR’S DUTIES

- 3.1. *Training.* Before the opening of the Franchised Salon, we will provide to you, and to certain of your employees (defined in Sections 6.4 and 6.5 below) such training programs that we may designate, to be conducted at the time(s) and location(s) that we designate. We will also provide such ongoing training as we may, from time to time, deem appropriate. We will be responsible for the cost of instruction and materials, subject to the terms set forth in Sections 6.4 and 6.5.
- 3.2. *Standard Layout.* We will make available standard plans for the construction of a Salon and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs, the cost of which is included in the Development Services Fee described in Section 4.9. We will also provide the site selection assistance called for under Section 5.1. The cost of which is included in the Site Evaluation Fee described in Section 1.2.2.
- 3.3. *Additional Assistance.* We will have the right (but not the obligation) to provide a representative to be present at the opening of the Franchised Salon. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Manual .
- 3.4. *Manual.* We will provide to you, on loan, one copy of our confidential operations manuals (“**Manual**”), in the manner and as described in Section 8.
- 3.5. *Marketing Materials.* We will review and have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13.
- 3.6. *Marketing Funds.* We will administer the “**Bubbles Brand Fund**” (“**Brand Fund**”) if that exists or is created, as set forth in Section 13.

- 3.7. *Grand Opening Marketing Program.* We will assist you in developing and conducting the Grand Opening Marketing Program (as defined below), which program shall be conducted at your expense.
- 3.8. *Inspection Before Opening.* We (or our designated affiliate) will inspect the Franchised Salon before it first opens for business. You agree not to open the Franchised Salon or otherwise start operations until you have received our prior written approval.
- 3.9. *Periodic Assistance.* We will provide you periodic assistance in the marketing, management, and operation of the Franchised Salon at the times and in the manner that we determine.
- 3.10. *Services Performed.* You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an “**area developer**”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.11. *Franchisee Meetings and Conferences:* We will coordinate and conduct local, regional and/or national franchisee conferences or meetings (collectively, “**Conferences**”) as we deem appropriate, in our sole discretion, at places we designate. We may charge a registration or attendance fee for such Conferences, including a proportionate share of our out-of-pocket expenses for hosting any such Conferences, whether or not you attend such Conferences. We may designate your attendance at such Conferences as either required or recommended.
- 3.12. *Reasonable Business Judgment.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights or discretion pursuant to this Agreement, we (and our affiliates) will always have the right: (i) to take into account, as we see fit, the effect on, and the interests of, other Salons and systems in which we (or our affiliates) have an interest; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other Salons and systems in which we (or our affiliates) have an interest, and/or with our affiliates; (iii) to introduce Proprietary Products and non-proprietary items or operational equipment used by the System into other franchised systems in which we have an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. Our decisions or actions will be deemed to be the result of our reasonable business judgment (“**Reasonable Business Judgment**”), even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. You understand and agree that all of our obligations under this Agreement are subject to this Section 3.12, and that nothing in this Section 3.12 shall in any way affect your obligations under this Agreement.

4. FEES; SALES REPORTING

- 4.1. *Initial Franchise Fee.* You agree to pay us an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000.00) (“**Initial Franchise Fee**”). The Initial Franchise Fee is not refundable under any circumstances and is fully earned by us upon your execution of this Agreement.
- 4.2. *Royalty Fee and Sales Reports.* For each Week during the Term of this Agreement, you agree to: (a) pay us a continuing royalty fee in an amount equal to 6% of the Gross Sales

of the Franchised Salon (“**Royalty Fees**”); and (b) report to us in writing (or, at our option, electronically) your Gross Sales (“**Sales Report**”). As used in this Agreement:

- 4.2.1. the term “**Week**” means the period starting at 12:01 a.m. Monday and ending at 11:59 p.m. on the following Sunday (your local time), each week;
 - 4.2.2. the term “**Gross Sales**” means all revenue that you derive from operating the Franchised Salon, including all Services and Hair Care Products sold, all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, redeemed gift cards, redeemed stored value cards or other credit transactions, but (a) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and actually paid to the appropriate taxing authority, and (b) reduced by the amount of any documented refunds, credits, allowances, and charge-backs the Franchised Salon in good faith gives to customers.
- 4.3. *Due Date.* All payments required by Section 4.2 and Section 13, and the Sales Report required by Section 4.2, must be paid and submitted so that they are received by us, in our offices, by Tuesday of each Week, based on the Gross Sales immediately preceding Week. In addition, you agree to all of the following:
- 4.3.1. You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12, at the time and in the format that we reasonably request.
 - 4.3.2. You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under Sections 4 or 13. Among other things, to implement this point, you agree to sign and return to us our current form of “Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as **Attachment D** (and any replacements thereof that we deem to be periodically needed to implement this Section 4.3.2), and you agree to comply with the payment and reporting procedures that we may specify in the Manual or otherwise communicated to you in writing.
 - 4.3.3. You acknowledge and agree that your obligation to make full and timely payment of Royalty Fees and Brand Fund Contributions (as defined below), and all other sums due to us, are absolute, unconditional, fully earned, and due when you have generated and received Gross Sales.
 - 4.3.4. You agree that you will not, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set -off payments due to us against any claims or alleged claims that you may allege against us, our affiliates, the Brand Fund, or others.
 - 4.3.5. You agree that if you do not provide us, as requested, with access to your Computer System (as defined below) to obtain sales information or, if we permit, printed and signed sales reports, then we will have the right to impute your sales for any period using, among other things, your sales figures from any Week(s) that we choose, including, but not limited to, those with your highest grossing sales; and that you must pay the Royalty Fees on such amount (whether by check or by our deduction of that amount from your direct debit account).

- 4.3.6. You agree that you will not, whether on grounds of alleged non-performance by us or others, withhold payment of any fee, including, without limitation, Royalty Fees or Brand Fund Contributions, nor withhold or delay submission of any reports due under this Agreement including, without limitation, Sales Reports.
- 4.4. *No Subordination.* You agree not to subordinate to any other obligation your obligation to pay us the Royalty Fees and/or any other amount payable to us, whether under this Agreement or otherwise, and that any such subordination commitment that you may give, including to any lender, without our prior written consent shall be null and void. Such failure to comply with this Section 4.4 shall also constitute a material default hereunder.
- 4.5. *Late Payment.* Any payment that we (or the Brand Fund) do not receive on or before the due date shall be deemed overdue. Any report that we do not receive on or before the due date shall also be deemed overdue. If any payment is overdue, then you agree to pay us, in addition to the overdue amount, (i) interest on the overdue amount from the date it was due until paid, at the rate of 1.5% per month (but not to exceed any maximum rate permitted by law, if any), and (ii) One Hundred Dollars (\$100) for each late payment (“**Late Fee**”). Our entitlement to such interest and Late Fees shall be in addition to any other remedies we may have.
- 4.6. *Other Funds Due.* You agree to pay us, within ten days of our written request (which is accompanied by reasonable substantiating material), any monies that we have paid, or that we have become obligated to pay, on your behalf, by consent or otherwise under this Agreement, including payments made to any landlord.
- 4.7. *Consumer Price Index.* We have the right to adjust, for inflation, all fixed dollar amounts under this Agreement (except for the Initial Franchise Fee) once a year. For the purpose of this Section 4.7, the term “**Index**” means the Consumer Price Index (1982 84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics. If the U.S. Bureau of Labor Statistics no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.
- 4.8. *Pre-Opening Order of Hair Care Products.* In addition to the Initial Franchise Fee referred to in Section 4.1 above, you agree to purchase from us or our affiliates, prior to the opening of your Salon, the initial order of Hair Care Products (including Back Bar Products, Retail Products and Proprietary Products) that we designate as required to open your Salon (collectively, the “**Pre-Opening Order**”). The Pre-Opening Order shall be paid for, in full, at the time we submit a written invoice to you for such items (“**Pre-Opening Invoice**”). You will also be responsible for all cost of shipping and storage for such items as well as any applicable taxes. Your failure to pay for the Initial Order within ten (10) days of receipt of the Pre-Opening Invoice shall be deemed a material default of this Agreement.
- 4.9. *Development Services Fee:* You agree to pay us (or our designated affiliate) a fee (“**Development Services Fee**”) in the amount of Six Thousand Dollars (\$6,000) as consideration for all site selection assistance, salon design, development and management services relating to the plans, construction and opening approval and support we provide to you in connection with the opening of your Salon under this Agreement (“**Development Services**”). The Development Services Fee shall be paid, in full, within ten days of receipt of a written invoice to you for such Development Services (“**Development Services Invoice**”). Your failure to pay the Development Services Fee within ten days of receipt of the Development Services Invoice shall be deemed a material default of this Agreement. We will not provide the Development Services and will waive the Development Services

Fee if you have previously developed three or more new Bubbles Salons and paid a Development Services Fee for each such Salon, unless either: (a) you request that we or our affiliate provide the Development Services in connection with the development of the Salon to be developed hereunder, or (b) we determine, in our sole judgment, that you cannot develop such Salon without us or our affiliate providing the Development Services. The Development Services Fee payable under this Franchise Agreement is specified in **Attachment A** attached to this Agreement.

- 4.10. *Grand Opening Marketing Fee:* If this is your first Salon to be opened in a particular designated marketing area (“**DMA**”) or metropolitan statistical area (“**MSA**”), you will pay us a fee in the amount of Two Thousand Five Hundred Dollars (\$2,500) for us to develop a template Grand Opening Marketing Program (as defined in Paragraph 13.5) for the Salon and for any other Salons that you open in the same DMA or MSA (“**Grand Opening Marketing Fee**”). The Grand Opening Marketing Fee shall be paid, in full, within ten days of receipt of a written invoice to you for such Grand Opening Marketing Fee (“**Grand Opening Marketing Invoice**”). Your failure to pay the Grand Opening Marketing Fee within ten days of receipt of the Grand Opening Marketing Invoice shall be deemed a material default of this Agreement.

5. FRANCHISED SALON LOCATION, CONSTRUCTION AND RENOVATION

- 5.1. *Opening the Franchised Salon.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Salon. You must establish the Franchised Salon and have it open and in operation within one year after the Effective Date of this Agreement. Time is of the essence. You acknowledge and agree that any site selection assistance or approval that we provide will not be construed or interpreted as a guarantee of success for the approved location (or any other site), nor shall any location recommendation or approval we make be deemed a representation that any particular location is available or suitable for use as a Franchised Salon.
- 5.2. *Lease Conditions.* Our approval of the lease or purchase agreement shall be conditioned upon the execution by you and the landlord for the Authorized Location of the Lease Rider attached to this Agreement as **Attachment F**, as well as the inclusion in the lease or purchase agreement of terms acceptable to us.
- 5.3. *Review.* You acknowledge that our review and approval of a site, lease, sublease, or purchase agreement for a Franchised Salon shall not constitute our recommendation, endorsement, or guarantee of the suitability of that location or the terms of the lease, sublease, or purchase agreement; accordingly (and you shall not rely on any such review or approval), you agree to take all steps necessary to determine whether a particular location and whether the terms of any lease, sublease, or purchase agreement for the site are beneficial and acceptable to you.
- 5.4. *Preparing the Site.* You agree that, promptly after obtaining possession of the Authorized Location for the Franchised Salon, you shall do all of the following things:
- 5.4.1. using an architect approved by us, cause to be prepared and submit for our approval a description of any modifications to our basic architectural plans and specifications for a Franchised Salon (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating materials) required to develop a Franchised Salon at the site leased or purchased for that purpose, provided that you may modify our

- basic plans and specifications only to the extent required to comply with all applicable ordinances, building codes and permit requirements (with prior notification to and written approval from us);
- 5.4.2. obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
 - 5.4.3. purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including but not limited to the specifications we have provided in writing, whether in the Manual or otherwise);
 - 5.4.4. complete the construction and/or remodeling (with a contractor approved by us), installation of all furniture, fixtures and equipment (by a supplier approved by us), and signage and decorating of the Franchised Salon in full and strict compliance with plans and specifications for the Franchised Salon that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
 - 5.4.5. obtain all customary contractors' and suppliers' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and
 - 5.4.6. otherwise complete development of and have the Franchised Salon ready to open and commence the conduct of its business in accordance with Section 8.2.
- 5.5. *Use of the Premises.* You may use the Authorized Location only for the purpose of operating the Franchised Salon and for no other purpose. You agree not to co-brand or permit any other business to operate at the Authorized Location without our prior written approval.
- 5.6. *Relocation.* You agree not to relocate the Franchised Salon without our prior written consent. We will have the right to grant or to withhold our approval of any proposed location or relocation and, if our approval is granted, you understand that our approval will not be deemed to be our guarantee, representation, or assurance that the Franchised Salon shall be profitable or successful at that location or elsewhere (and you shall not rely on any such review or approval). Any proposed relocation will be subject to our review of the new site under our then-current standards for site selection, except that we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new salon to their establishment. In addition, you agree to (i) pay us (or our designated affiliate) a fee of Five Hundred Dollars (\$500) for each proposed site that you submit to us for review and (ii) reimburse us (or our designated affiliate) for any additional out-of-pocket costs that we incur in connection with reviewing and approving your proposed relocation, any related lease matters, and any necessary amendments to this Agreement (including our attorneys' fees).
- 5.7. *Construction or Renovation.* In connection with any construction or renovation of the Franchised Salon, and before starting any such construction or renovation, you agree to comply, at your expense, with all of the following requirements, which you must satisfy to our reasonable satisfaction:

- 5.7.1. You agree to employ a qualified, licensed architect or engineer who is approved by us to prepare, for our approval, preliminary plans and specifications for site improvement and construction of the Franchised Salon based upon prototype design and image specifications we will furnish in the Manual (depending on whether the Franchised Salon will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). Our approval shall be limited to conformance with our standard image specifications and layout, and shall not relate to your obligations with respect to any federal, state and local laws, codes and regulations including, without limitation, the applicable provisions of the Americans with Disabilities Act (“ADA”) regarding the construction, design and operation of the Franchised Salon, which subjects shall be your sole responsibility.
- 5.7.2. You agree to comply with all federal, state, and local laws, codes and regulations, including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Salon. If you receive any complaint, claim, or other notice alleging a failure to comply with the ADA, you agree to provide us with a copy of that notice within five days after you have received the notice.
- 5.7.3. In connection with any standard layout and equipment plans that we provide to you, you acknowledge that such specifications do not meet and are not meant to address the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the ADA and/or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Franchised Salon, compliance with all of which shall be your responsibility and at your expense. You agree to adapt, at your expense, the standard specifications to the Franchised Salon location, subject to our approval, as provided in Section 5.7.1 above, which we will not unreasonably withhold, provided that such plans and specifications conform to our general criteria. You understand and acknowledge that we have the right to modify the prototype architectural plans and specifications as we deem appropriate from time to time (however, we will not modify the prototype architectural plans and specifications for the Franchised Salon developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to you).
- 5.7.4. You will be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to your location. After having obtained such approvals and clearances, you must submit to us, for our prior written approval, final plans for construction based upon the preliminary plans and specifications. Our review and approval of plans shall be limited to review of such plans to assess compliance with our design standards for Salons, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain services and products that are central to the purpose, atmosphere, and functioning of Salons. We will not review nor shall any approval be deemed to include your compliance with federal, state, or local laws and regulations, including the ADA, and you acknowledge and agree that compliance with such laws is and shall be your sole responsibility. Once we have approved those final plans, you cannot later change or modify the plans

without our prior written consent. Any such change made without our prior written permission shall constitute a material default under this Agreement and we may withhold our authorization to open the Franchised Salon (or if the Franchised Salon is already open and operational we may require you to close the Franchised Salon) for business until the unauthorized change is rectified (or reversed) to our reasonable satisfaction.

- 5.7.5. You agree to obtain all permits and certifications required for the lawful construction and operation of the Franchised Salon and certify in writing to us that all such permits and certifications have been obtained.
- 5.7.6. You agree to employ a qualified licensed general contractor approved by us to construct the Franchised Salon and to complete all improvements.
- 5.7.7. You agree to obtain and maintain in force during the entire period of construction the insurance required under Section 15; and you must deliver to us such proof of such insurance as we may require.
- 5.7.8. You acknowledge that any site selection assistance or approval that we provide is not to be construed or interpreted as our guarantee of success for said location, nor shall any location that we recommend, or approval that we give, be deemed as our representation that the location is available or suitable for your use as a Franchised Salon (and you shall not rely on any such review or approval).
- 5.8. *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement (including, without limitation, those with respect to the Grand Opening Marketing Program), the Manual, and/or that we may otherwise specify in writing. Within 90 days after the Franchised Salon first opens for business, you must give us a full written breakdown of all costs associated with the development and construction of the Franchised Salon, in the form that we may reasonably find acceptable or that we may otherwise require. Additionally, before opening the Franchised Salon, and after any renovation, you must execute and deliver to us an ADA Certification in the form attached to this Agreement as **Attachment E**, to certify that the Franchised Salon and any proposed renovations comply with the ADA.
- 5.9. *Franchised Salon Condition and Maintenance.* You agree that you will, at all times, maintain the Franchised Salon in a high degree of sanitation, repair, and condition (as well as maintain such ventilation as we may require or that may be required by applicable laws or regulations), and in that regard, you also agree to make such additions, alterations, repairs, and replacements to the Franchised Salon (but no others without our prior written consent) as may be required for that purpose (including but not limited to the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require). You also agree to obtain maintenance services from qualified vendors for all major items of equipment used in the Franchised Salon and maintain those service agreements at all times.
- 5.10. *Remodeling.* You agree, at our request, to periodically refurbish the Franchised Salon at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Salons, including, but not limited to, remodeling, redecoration, and modifications to existing improvements, all of which we

may require in writing (collectively, “**Facilities Remodeling**”). In this regard, the parties agree that:

5.10.1. You will not have to engage in Facilities Remodeling more than once every five years during the Term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Facilities Remodeling more often if Facilities Remodeling is required as a pre-condition to granting you a Successor Term (as described in Section 2.2.4) or a transfer (as described in Section 16.5.5); and

5.10.2. You will have six months after you receive our written notice within which to complete Facilities Remodeling.

6. TRAINING AND PERSONNEL

6.1. The term “**Managing Principal**” means one of your owners (if the Franchisee is an entity) or a senior executive employed by the Franchisee who will have operational oversight of the Franchised Salon.

6.2. *We Will Provide Training.* Before the opening of the Franchised Salon, we will provide to you (or your Managing Principal) and certain of the Salon employees (as noted below) the training programs that we designate. We will also provide the on-going training that we periodically deem appropriate, at such places and times that we deem proper. Our training programs will be conducted in the English language. We will be responsible for the cost of instruction and materials subject to the terms set forth in Section 6.4.2 below.

6.3. *Your Training and Personnel Obligations.* Before opening the Franchised Salon, you must fulfill all of the requirements specified below:

6.3.1. *New Franchisee Orientation Program (“NFOP”).* You agree to appoint one Managing Principal who shall have overall responsibility for the Franchised Salon and who will be our primary contact regarding the Franchised Salon. You also agree to appoint a salon leader, acceptable to us, who will be responsible on a full-time basis for the day-to day operations of the Salon (“**Salon Leader**”). If approved by us, the Managing Principal may be the Salon Leader. If this is your first Bubbles Salon, prior to opening the Franchised Salon, you or your Managing Principal must attend and successfully complete our NFOP which consists of a minimum of 14 hours of digital and/or classroom training. We have the right to conduct NFOP at the location(s) that we designate, which may be at one of our facilities or at one or more third-party locations. You will bear all other expenses incurred in connection with any training (including without limitation the costs of travel, lodging, meals, wages, benefits, and worker’s compensation insurance).

6.3.2. *NFOP Training Fee.* You agree to pay us the following fees for NFOP, which are payable in full before the training starts:

6.3.2.1. A training fee equal to (a) One Thousand Dollars (\$1,000) for up to three people attending the same NFOP session (you or your Managing Principal and up to two additional owners and/or members of your senior management team (e.g. CEO, COO and/or CFO), and (b) One Thousand Dollars (\$1,000) for each additional person that we approve to attend the same NFOP session (“**NFOP Training Fee**”). For any

person that attends a different session of NFOP, the NFOP Training Fee will be One Thousand Dollars (\$1,000) per person.

- 6.3.2.2. We reserve the right to increase the NFOP Training Fee at any time during the Term of this Agreement upon written notice.
- 6.3.3. *Salon Training Program.* Prior to opening the Franchised Salon, you or your Managing Principal and your Salon Leader must attend and successfully complete our initial salon training program (“**Salon Training Program**” or “**STP**”), which consist of a minimum of 25 hours of digital and/or classroom training at a facility we designate and 42 hours of digital and/or on-the job training at a facility and/or training salon that we designate.
- 6.3.4. *STP Training Fee.* You agree to pay us the following fees for the Salon Training Program, which are payable in full before the training starts:
- 6.3.4.1. A training fee equal to (a) One Thousand Dollars (\$1,000) for up to three people attending the same Salon Training Program session (you or your Managing Principal, your Salon Leader and up to one additional member of your Salon staff), and (b) One Thousand Dollars (\$1,000) for each additional person that we approve to attend the same Salon Training Program session (“**STP Training Fee**”). For any person that attends a different session of the Salon Training Program, the STP Training Fee will be One Thousand Dollars (\$1,000) per person.
- 6.3.4.2. We reserve the right to increase the STP Training Fee at any time during the Term of this Agreement upon written notice.
- 6.3.5. *Franchised Salon Management.* The Franchised Salon must be under the active full-time management of a Salon Leader or Assistant Salon Leader who has successfully completed (to our satisfaction) our Salon Training Program.
- 6.3.6. *Replacement Salon Leader.* If the Salon Leader ceases active management or employment at the Franchised Salon, or if we disapprove the Salon Leader, then you agree to enroll a qualified replacement, which can be an Assistant Salon Leader (who must be reasonably acceptable to us) in our Salon Training Program within 30 days after the Salon Leader ended his/her full-time employment and/or management responsibilities. The replacement must attend and successfully complete the Salon Training Program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us an STP Training Fee, in an amount determined as set forth in Section 6.3.4, for each such additional individual to be trained, with payment to be made in full before the replacement training starts, plus all other expenses we and/or you incur in connection with such training (including the costs of transportation, lodging, and meals).
- 6.3.7. *Certified Trainer/Certified Training Salon:* If the Franchised Salon to be established and operated pursuant to this Agreement is your (and/or your affiliates’) second Salon under the System, then, within a reasonable time (but no more than 90 days) after the opening of the Franchised Salon, at least one Salon that you operate must be certified by us as a training salon (“**Certified Training Salon**”) and at least one of your then-current Salon Leaders, Assistant Salon

Leaders or such other employee of yours as we may approve, must be certified by us as a training manager (“**Certified Trainer**”).

- 6.3.7.1. Before a Salon can become a Certified Training Salon, it must meet certain standards and specifications that we will set out in the Manual, or otherwise in writing. Before an individual can become a Certified Trainer, that individual must also meet certain standards and specifications that we will set out in the Manual, or otherwise in writing.
- 6.3.7.2. To become a Certified Trainer, a candidate must successfully complete, at your expense, our then-current Certified Trainer training program (“**Train-The-Trainer**” or “**TTT**” training program) at a training facility we designate. We reserve the right to charge a fee for each Certified Trainer candidate attending the TTT training program to cover the costs of presenting such training programs. You agree to be responsible for all other expenses during the TTT training program (including without limitation the costs of transportation, lodging, meals, wages, benefits, and worker’s compensation insurance).
- 6.3.7.3. Once you have a Certified Training Salon and a Certified Trainer, you agree to conduct the Salon Training Program (or its successor program) for all of your employees, including Salon Leaders, Assistant Salon Leaders and salon professionals in your Certified Training Salon by a Certified Trainer.
- 6.3.8. If you fail to have at least one Certified Training Salon and a Certified Trainer within 90 days after opening your second Salon and/or at any time thereafter that you have two or more Salons in operation, we will have the right to either: (a) prohibit you from opening the Franchised Salon (and any additional Salons) until at least one of your Salons is certified as a Certified Training Salon and the Salon Training Program for all completed but unopened Salons that you own and operate has been successfully conducted; or (b) require that the Salon Leader and Assistant Salon Leaders for the Franchised Salon (and any subsequent Salon(s)) attend the Salon Training Program at our training facility or at any Certified Training Salon that we may designate, at your sole cost and expense, and we reserve the right to charge you a fee for each person attending such training.
- 6.3.9. You or your Managing Principal and your Salon Leader, Assistant Salon Leaders, District Leaders (as defined below), Certified Trainers, salon professionals and other Salon employees that we designate may also be required to attend such refresher courses, seminars, and other training programs and meet our standards for minimum ongoing operational training as we may reasonably specify from time to time, and you must pay any training fee that we may charge for these additional training programs.
- 6.3.10. We will have the right, subject to applicable law in the jurisdiction where your Franchised Salon is located, to require that your trainees execute and deliver to us a personal covenant of confidentiality and non-competition in substantially the form appended to this Agreement as **Attachment H**.

- 6.3.11. We have the right to require that you cover your trainees under insurance policies, as specified below in this Agreement, at all times including but not limited to the training program.
- 6.3.12. We will bear the cost of all training instruction and required materials, except as otherwise provided above, and you will bear all other expenses incurred in connection with any training (including without limitation the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance).
- 6.3.13. You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Salon, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses.

6.4. *Staffing.*

- 6.4.1. You agree to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least one Salon Leader and, if we deem it necessary, at least one Assistant Salon Leader (who must have successfully completed the training course described in Section 6.3) on duty at all times, and to take such steps as are necessary to ensure that your employees preserve good brand standards, which may include, but not necessarily be limited to good customer relations, Salon cleanliness and compliance with other System Standards.
- 6.4.2. *District Leader and DL Training.* If you acquire ten or more Salons, you must designate one or more individuals (who must be approved by us) who shall act as the "**District Leader**". You must hire at least one District Leader for every ten Salons that you acquire. Each District Leader may be responsible for up to ten Salons. We reserve the right to adjust the maximum number of Salons that any District Leader may be responsible for based on your experience. Each District Leader must be approved by us and will be responsible for recruiting, staffing, sales, marketing and promotional efforts and coordinating other operating activities their respective Salons. For the purposes of calculating the number of Salons that you operate, we will include all Salons that you operate as well as all of the Salons that are operated by one of your affiliates. To qualify as a District Leader, each candidate must attend and successfully complete our training program for District Leaders which consist of a minimum of 8 hours of digital and/or classroom training at a facility we designate ("**DL Training**") as well as TTT training program discussed above.
- 6.4.3. *DL Training Fee.* You agree to pay us the following fees for the DL Training, which are payable in full before the training starts:
 - 6.4.3.1. A training fee equal to (a) One Thousand Dollars (\$1,000) for up to three people attending the same DL Training session (the District Leader candidate as well as two additional employees who we approve as future District Leaders), and (b) One Thousand Dollars (\$1,000) for each additional person that we approve to attend the same DL Training session ("**DL Training Fee**"). For any person that attends a different

session of DL Training, the DL Training Fee will be One Thousand Dollars (\$1,000) per person.

6.4.3.2. We reserve the right to increase the DL Training Fee at any time during the Term of this Agreement upon written notice.

6.4.4. If a District Leader ceases employment with you, or if we disapprove the District Leader for any other reason, then you agree to enroll a qualified replacement, (who must be reasonably acceptable to us) in DL Training within 30 days after the District Leader ended their full-time employment and/or management responsibilities. The replacement must attend and successfully complete DL Training, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us a DL Training fee, in an amount determined as set forth in Section 6.4.3, for each such additional individual to be trained, with payment to be made in full before the replacement training starts, plus all other expenses we incur in connection with such training (including the costs of transportation, lodging, and meals).

6.4.5. To promote a consistent System image, you agree that you and your employees will comply with our System Standards, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Manual or otherwise in writing) while on a job for the Franchised Salon.

7. PRODUCT AND SUPPLY

To ensure that the highest degree of quality and service is maintained at the Franchised Salon, you agree to all of the following:

7.1. *Supplies.* You agree to buy all Hair Care Products, supplies, materials, and other products used or offered for sale at the Franchised Salon only from suppliers that we have approved in writing (and whom we have not subsequently disapproved). In determining whether we will approve any particular supplier, we will consider various factors, including but not limited to: (a) whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; (b) whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; (c) whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and (d) whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae). You may not buy from any supplier that we have not yet approved in writing, and you must stop buying from any supplier that we approve, but later disapprove. For the purpose of this Agreement, the term “**supplier**” includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. In addition:

7.1.1. Notwithstanding anything to the contrary in this Agreement, you agree to buy all of your requirements for Hair Care Products (including Back Bar Products, Retail Products and Proprietary Products) only from us or from our designee(s), as provided in Section 7.2 (possibly through one or more distributors that we designate in writing). We have the right, but not the obligation, to introduce additional Hair Care Products periodically.

- 7.1.2. You must purchase all hair color products used in the Franchised Salon in providing Services and for retail sale to customers only from us or from our suppliers that we designate (“**Color Products**”).
- 7.1.3. You acknowledge and agree that we have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular item (including but not limited to distribution of Hair Care Products to Salons and similar items), which may be us or one of our affiliates.
- 7.1.4. Intentionally Omitted.
- 7.1.5. We have the right (directly, through our affiliates, and/or our designees) to establish production and distribution facilities, and we have the right to designate these as approved or required manufacturers, suppliers or distributors.
- 7.1.6. If you want to buy any items (except for Hair Care Products) from an unapproved supplier, you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier or manufacturer of the proposed product) must pay us or our affiliate a fee to conduct this inspection and/or testing in an amount equal to the greater of Ten Thousand Dollars (\$10,000) or the actual cost of the evaluation and/or testing. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including but not limited to payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.
- 7.1.7. Nothing in the other provisions of this Agreement shall be construed to require us to approve any one or more alternative suppliers, nor to require that we make available to prospective suppliers, standards and specifications for formulas, which we have the right to deem confidential.
- 7.1.8. Notwithstanding anything to the contrary contained in this Agreement, you acknowledge and agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Salons with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Salons. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Hair Care Products (including Back Bar Products, Retail Products and/or Proprietary Products), and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Salons.

7.1.9. You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments and/or benefits (collectively, “**Allowances**”) offered to us or to our affiliates by manufacturers, suppliers (including approved or designated technology suppliers) and distributors based upon System-wide purchases of products (including Hair Care Products), services (including technology services), supplies, and other items, including purchases by you. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction. We (and our affiliates) also have the right to buy and resell items to our franchisees, which may result in profit to us (or to our affiliates). Some vendors may contribute to the cost of hosting a Conference. In this case, we may accept the contribution and, if the contribution is in cash, we will deposit the contribution into the Brand Fund or reimburse ourselves for any expenses paid out of our general operating account for such Conferences.

7.2. *Proprietary Products.* You agree that the Proprietary Products we may specify for sale as retail items and/or to be used as Back Bar Products in providing Services at your Franchised Salon are manufactured in accordance with our trade secret standards and specifications, and are Proprietary Products of ours and/or our affiliates. In order to maintain the high standards of quality and uniformity associated with any Proprietary Products sold and used under the System, you agree to purchase all Proprietary Products only from us or from our designee(s), and not to use, offer or sell any items that are similar to Proprietary Products at or from the Franchised Salon. You further agree to use the Proprietary Products only in the manner that we have designated or approved as set forth in Section 8.6.2. You acknowledge that we have the right to periodically introduce additional Proprietary Products and that the Proprietary Products are integral components of the System and are inextricably interrelated with the Proprietary Marks. In connection with the handling, storage, transport and delivery of any Proprietary Products that you buy from us or our affiliates or designee(s), you agree that any action (or inaction) by a third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Products shall not be attributable to us, nor constitute negligence on our part.

8. YOUR DUTIES

In addition to all of the other duties specified in this Agreement, you agree to all of the following:

8.1. *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Salon is important to you, to us, and to other franchisees in order to develop and maintain high operating standards, to increase the demand for the Products, Proprietary Products, and services sold by all franchisees, and to protect our reputation and goodwill.

8.2. *Opening.* In connection with the opening of the Franchised Salon:

8.2.1. You agree to conduct, at your expense, such grand opening promotional and marketing activities as we may require, as set forth in Section 13.

8.2.2. You must give us prior written notice at least 30 days before the date on which you propose to first open the Franchised Salon for business. We reserve the right to have our representative(s) present at the opening of the Franchised Salon, and if we so require, you shall not open the Franchised Salon without the on-site presence

of the representative(s) we select; however, we agree not to unreasonably delay the opening of the Franchised Salon.

- 8.2.3. You will not open the Franchised Salon until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including, but not limited to, materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold. You agree that you will use reasonable efforts not to open your Salon from December 15 through January 5, or during the 14 days beginning the Sunday before Easter.
- 8.2.4. You agree not to open the Franchised Salon until you or your Managing Principal, Salon Leader Assistant Salon Leader and District Leader, if applicable personnel (as defined in Sections 6.3 and 6.4) have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of salon professionals and other employees to service the anticipated level of the Franchised Salon's customers.
- 8.2.5. In addition, you agree not to open the Franchised Salon until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.
- 8.3. Use of the Premises.
 - 8.3.1. You may use the premises only for the operation of the Franchised Salon. You also agree not to use or permit the Franchised Salon premises to be used for any other purpose or activity at any time. As used in this Agreement, the term "premises" include the grounds surrounding the Authorized Location for the Franchised Salon.
 - 8.3.2. You agree to keep the Franchised Salon open and in normal operation for the hours and days that we may periodically specify in the Manual or as we may otherwise approve in writing.
- 8.4. *Health Standards.* You agree to meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Salon, including the Americans with Disabilities Act, environmental laws, state board of cosmetology rules and regulations, fire and life safety, and all federal and state Occupational Safety and Health Act regulations and standards. You must furnish to us, within five days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Salon, including any state cosmetology board.
- 8.5. *Use of the Marks.* You will require all marketing and promotional materials, signs, decorations, merchandise, paper and packaging (for example, disposable) goods, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos in the form, color, location, and manner that we have then-prescribed.
- 8.6. *Operation According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate the Franchised Salon in strict conformity with

such methods, standards, and specifications that we may periodically require in the Manual or otherwise in writing. In this regard, you agree to do all of the following:

- 8.6.1. You agree to maintain in sufficient supply, and to use and/or sell at all times only the Hair Care Products and offer Services that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our prior written consent.
- 8.6.2. You agree: (a) to offer only those Services and sell or offer for sale only those Hair Care Products that we have approved in writing for you to offer and sell at your Franchised Salon; (b) to sell and offer for sale all of the Services and Hair Care Products approved by us, (c) in providing Services to customers, use only Back-Bar Products and the preparation standards and techniques, that we specify in writing; (d) not to deviate from our standards and specifications, including manner of preparation of Hair Care Products; (e) to stop selling and offering for sale any Services and/or Hair Care Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and (f) that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved such deviation, the deviation shall become our property.
- 8.6.3. Without limiting Sections 8.6.1 and 8.6.2, you agree that: (a) we have the right to designate certain Hair Care Products as Retail Products and we have the right to limit Retail Products authorized for sale to customer to designated Proprietary Products and/or designated third-party products; (b) we have the right to designate certain Hair Care Products as Back-Bar Products used in providing Services to customers at the Franchised Salon and we have the right to limit Back-Bar Products that you may use to designated Proprietary Products and/or designated third-party products; (c) you will comply with all specifications and designations that we set forth in the Manuals regarding Retail Products and Back-Bar Products, including, without limitation, that you will not offer for resale any products that we have designated as solely Back-Bar Products and will not sell any products that we have not designated as Retail Products.
- 8.6.4. You agree to permit us, or our agents, at any reasonable time, to remove samples of Hair Care Products, without payment, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether those samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.6.5. You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify from time to time and at any time.
- 8.6.6. You agree not to install or permit to be installed on or about the premises of the Franchised Salon, without our prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items that we have not previously approved in writing (or later disapproved) as meeting our standards and specifications.

- 8.6.7. You agree not to install or permit anyone else to install any vending machine, game or coin operated device, unless we have given you our prior written consent to do so.
- 8.6.8. You agree to fully and faithfully comply with all applicable governing authorities, laws and regulations, which by this reference are made part of this Agreement as if incorporated in this Agreement. You agree to immediately suspend operation of (and close) the Franchised Salon if: (a) any Hair Care Products sold at the Franchised Salon appears to have been adulterated or otherwise deviates from our standards for Hair Care Products; (b) any Hair Care Products sold at the Franchised Salon fail to comply with applicable laws or regulations; and/or (c) you fail to maintain the Hair Care Products, Franchised Salon premises, equipment, personnel, or operation of the Franchised Salon in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also destroy all contaminated or adulterated products, eliminate the source of those products, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Salon until after we have inspected the Franchised Salon premises, and we have determined that you have corrected the condition and that all Hair Care Products sold at the Franchised Salon comply with our standards.
- 8.7. If You Are an Entity:
- 8.7.1. *Corporate Franchisee.* If you are a corporation, then you agree to: (a) confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating Salons; (b) maintain stop transfer instructions on your records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; (c) not issue any voting securities or securities convertible into voting securities; and (d) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.
- 8.7.2. *Partnership/LLP Franchisee.* If you are a partnership or a limited liability partnership (LLP), then you agree to: (a) confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating Salons; (b) furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all our your general and limited partners; and (d) consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.
- 8.7.3. *LLC Franchisee.* If you are a limited liability company (LLC), then you agree to: (a) confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating Salons; (b) furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and (d) maintain stop transfer instructions on your records against the transfer of equity securities and shall only issue securities upon the face

of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

- 8.7.4. *Trust Franchisee.* If you are a trust, then you agree to: (a) confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Franchised Salon; (b) furnish us with a copy of your trust agreement, as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all trustees and beneficial owners of the trust; and (d) maintain stop transfer instructions on your records against the transfer of beneficial ownership, which references the transfer restrictions imposed by this Agreement.
- 8.7.5. *Guarantees.* Each present and future: (a) shareholder of a corporate Franchisee; (b) member of a limited liability company Franchisee (and if any such member is an entity, any individual owner of such entity; (c) partner of a partnership Franchisee; (c) partner of a limited liability partnership Franchisee (and if any such partner is an entity, any individual owner of such entity; and (d) the beneficial owner of any trust (each a “**Guarantor**” and collectively, “**Guarantors**”); must jointly and severally guarantee your performance of each and every provision of this Agreement by executing the Guarantee, Indemnification, And Acknowledgment in the form attached to this Agreement as **Attachment B**.
- 8.8. *Quality-Control and Guest Survey Programs.* We may, from time to time, designate an independent evaluation service to conduct a “mystery shopper,” “guest survey,” and/or similar type, quality-control and evaluation program with respect to Salons operating in the System. You must participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, you must immediately implement any remedial actions we require and pay us all expenses we incur to have the evaluation service re-evaluate your Salon (as well as all expenses we may have incurred to inspect the Franchised Salon thereafter) together with any costs or incidental expenses that we incur.
- 8.9. *Prices.* With respect to the sale of all such Services and Hair Care Products, you will have sole discretion as to the prices to be charged to customers; provided, however, that (i) we will have the right to set maximum and/or minimum prices on any and all Services and Hair Care Products (subject to applicable law, including the rule of reason), and (ii) we will have the right to set required promotional prices for certain Services and Hair Care Products as we determine in our Reasonable Business Judgement. If we impose a maximum price on a particular Service or Product, then you may charge any price for that Service and/or Product, up to and including the maximum price we have set. If we impose a minimum price on a particular Service and/or Product, then you may charge any price for that Service and/or Hair Care Products, down to and including the minimum price that we have set.
- 8.10. *Environmental Matters.* We are committed to working to attain optimal performance of Salons with respect to environmental, sustainability, and energy performance. We each recognize and agree that there are changing standards in this area in terms of applicable law, competitors’ actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental,

sustainability, and energy for the System through the Manual, and you agree to abide by those standards.

- 8.11. *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the Term of this Agreement relating to the development and/or operation of the Salons. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.
- 8.12. *Franchisee Advisory Council.* We have the right to create a “**Franchisee Advisory Council**,” or similar advisory group, for the purpose of fostering communication among and between franchisees and us, as well as to establish, modify or discuss various policies applicable to Salons operating under the System. If, and when we create a Franchisee Advisory Council, we will have the right to designate the persons who will serve as representatives on the Franchisee Advisory Council.

9. PROPRIETARY MARKS

9.1. *Our Representations.* We represent with respect to the Proprietary Marks that:

- 9.1.1. Our affiliate, HC Salon Brand Holdings, LLC (“**Brand Holdings**”), owns all right, title, and interest in and to the Proprietary Marks. We have been licensed by Brand Holdings to use the Proprietary Marks and to grant licenses to third parties (such as franchisees) to use the Proprietary Marks.
- 9.1.2. We, Brand Holdings and our other affiliates have taken and will take all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.

9.2. *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:

- 9.2.1. You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.
- 9.2.2. You will use the Proprietary Marks only for the operation of the Franchised Salon under this Agreement and only at the Authorized Location, or in Franchisor-approved marketing for the business conducted at or from the Authorized Location (subject to the other provisions of this Agreement).
- 9.2.3. Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Salon only under the name “Bubbles”, without prefix or suffix.
- 9.2.4. During the Term of this Agreement and any Successor Term, you will identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Salon in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the

display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Salon as we may designate in writing.

- 9.2.5. Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.
- 9.2.6. You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
- 9.2.7. You agree not to use the Proprietary Marks as part of your corporate or other legal name, or as part of any e-mail address, domain name, social networking site page, or other identification of Franchisee in any electronic medium.
- 9.2.8. You agree to execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.
- 9.2.9. With respect to litigation involving the Proprietary Marks, the parties agree that:
 - 9.2.9.1. You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You acknowledge that we (and/or our affiliates) will have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We (and/or our affiliates) will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.
 - 9.2.9.2. If you have used the Proprietary Marks in accordance with this Agreement, then we (and/or our affiliates) will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof. If you have used the Proprietary Marks but not in accordance with this Agreement, then we (and/or our affiliates) will still defend you, but at your expense, against such third party claims, suits, or demands. You agree to promptly notify us of any suspected unauthorized use of, or any challenge to the validity or ownership of the Proprietary Marks, or our right to use and to license others to use, or your right to use, the Proprietary Marks licensed under this Agreement. You acknowledge that we (and/or our affiliates) have the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks, including any settlement thereof. We (and/or our affiliates) have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, we (and/or our affiliates) agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things, except that you will bear the salary costs of your employees, and we (and/or our affiliates) will

bear the costs of any judgment or settlement. To the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, then you agree to reimburse us (and/or our affiliates, as we may designate in writing) for the cost of such litigation (or, upon our written request, pay our legal fees directly), including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.3. If we (and/or our affiliates) undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, you agree to sign any and all documents, and do those acts and things that may, in the opinion of our counsel (or our affiliates' counsel), be needed to carry out the defense or prosecution of that matter (including but not limited to becoming a nominal party to any legal action).

9.3. *Your Acknowledgements.* You expressly understand and acknowledge that:

9.3.1. We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2. The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3. Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4. Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5. Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6. The right and license of the Proprietary Marks that we have granted to you under this Agreement is non-exclusive, and we therefore have the right, among other things:

9.3.6.1. To use the Proprietary Marks ourselves in connection with selling and providing Services and Hair Care Products;

9.3.6.2. To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to existing franchisees; and

9.3.6.3. To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses

or franchises for those other marks without giving you any rights to those other marks.

- 9.4. *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different Proprietary Marks will be beneficial to the System. In such circumstances, your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10. CONFIDENTIAL OPERATING MANUALS

- 10.1. *You Agree to Abide by the Manual.* In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the Manual, one copy of which we will lend to you for the Term of this Agreement for your use only in connection with the Franchised Salon during the Term of this Agreement.
- 10.2. *Format of the Manual.* We will have the right to provide the Manual in any format we determine is appropriate (including but not limited to paper format and/or by making some or all of the Manual available to you in electronic form, such as through an internet website or an extranet). If at any time we choose to provide the Manual electronically, you must immediately return to us any and all physical copies of the Manual that we have previously provided to you.
- 10.3. *We Own the Manual.* The Manual shall at all times remain our sole property and you agree to promptly return the Manual when this Agreement expires or if it is terminated.
- 10.4. *Confidentiality and Use of the Manual.* The Manual contains our proprietary information and you agree to keep the Manual confidential both during the Term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will ensure that your copy of the Manual will be available at the Franchised Salon premises in a current and up-to-date manner. You agree not to make any unauthorized use, disclosure or duplication of any portion of the Manual. Whenever the Manual is not in use by authorized personnel, you agree to maintain the Manual in a locked receptacle at the premises of the Franchised Salon, and you agree to grant only authorized personnel (as defined in the Manual) access to the key or lock combination of that receptacle.
- 10.5. *You Agree to Treat Manual as Confidential.* You agree that at all times, you will treat the Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Salon, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.
- 10.6. *Which Copy of the Manual Controls.* You agree to keep your copy of the Manual only at the Franchised Salon (and as provided in Section 10.4) and also to ensure that the Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Manual, the terms of the master copy of the Manual that we maintain in our home office will be controlling. Access to any electronic version of the Manual shall also be

subject to our reasonable requirements with respect to security and other matters, as described in Section 14.

- 10.7. *Revisions to the Manual.* We have the right to revise the contents of the Manual whenever we deem appropriate to do so, and you agree to make corresponding revisions to your copy of the Manual and to comply with each new or changed standard.
- 10.8. *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques, as if they were part of this Agreement at when we signed this Agreement; provided the financial burden placed upon you is not substantial). You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and to Section 9.

11. CONFIDENTIAL INFORMATION

- 11.1. *Confidentiality.* You will not, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any Confidential Information, knowledge, including the contents of any Manual or other training materials, or know-how concerning the methods of operation of the business franchised under this Agreement which may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement (“**Confidential Information**”). You may divulge our Confidential Information only to those of your employees that must have access to such Confidential Information in order to operate the Franchised Salon. Any and all information, knowledge, know-how, and techniques that we designate as confidential shall be deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any Confidential Information regarding the Franchised Salon shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants shall be on a form that we provide, which form shall, among other things, designate us as a third party beneficiary of such covenants with the independent right to enforce them. Regardless of whether any employee executes a covenant, you will remain liable for all breaches of confidentiality made by such employee, whether intentional or through the employee’s negligence.
- 11.2. *Consequences of Breach.* In addition to the remedies set forth in Section 17, you acknowledge that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, without limitation, reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.
- 11.3. *Franchisee-Developed Concepts.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the Term of this Agreement relating to the development and/or operation of the Salons. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire

for us. We will not make any payments to you with respect to any of those ideas, concepts, methods, techniques or products. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

12. ACCOUNTING AND RECORDS

12.1. Accounting Records.

12.1.1. With respect to the operation and financial condition of the Franchised Salon, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2. During the Term of this Agreement and any Successor Term, and for a period of at least seven years following the termination or expiration of this Agreement, you agree to maintain full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed from time to time in the Manual or otherwise in writing, including but not limited to: (a) daily cash reports; (b) cash receipts journal and general ledger; (c) cash disbursements and weekly payroll journal and schedule; (d) monthly bank statements, daily deposit slips and cancelled checks; (e) all tax returns; (f) supplier's invoices (paid and unpaid); (g) dated daily and weekly cash register journal; (h) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; (i) operational schedules and weekly inventory records; (j) records of promotion and coupon redemption; and (k) such additional records that we may periodically require you to maintain.

12.1.3. We have the right to specify the accounting software, and a common chart of accounts, and, if we do so, you agree to use that software, as well as that chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We also have the right to require that you maintain other records that we may specify, such as a labor and cost matrix (which will report details such as cost of goods sold, cost of labor, etc.) for the Franchised Salon. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant.

12.2. Financial Statements.

12.2.1. You agree to provide us, at your expense, and in a format that we have specified, a complete annual financial statement for the Franchised Salon, on an individual location basis, ("**Annual Financial Statement**") within 90 days after the end of each fiscal year of the Franchised Salon during the term hereof. Your Annual Financial Statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Salon for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Salon during the most recently completed fiscal year. You must certify to us, in writing, that your Annual Financial Statement is accurate. If: (a) you do not meet your obligation to provide us with access to your books and records, as

well as copies of information such as your tax returns on our request, as specified in this Section 12; (b) you fail to provide us with required reports (such as sales reports) or discontinue access to the POS System (as defined below); (c) you have underreported sales to us by 2% or more; and/or (d) failed to pay us the amounts due under this Agreement on time in the amount due; then we will have the right to require you to have your Annual Financial Statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your Annual Financial Statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).

12.2.2. In addition, no later than the 15th day of each month during the Term of this Agreement after the opening of the Franchised Salon, you will submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): (a) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Franchised Salon; (b) reports of those income and expense items of the Franchised Salon that we periodically specify for use in any revenue, earnings, and/or cost summary we chooses to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Salon); and (c) copies of all state sales tax returns and income tax returns for the Franchised Salon. You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2.

12.3. *Additional Information.* You also agree to submit to us (in addition to the Sales Reports required pursuant to Section 4.2), for review or auditing, such other forms, reports, records, information, and data for the Franchised Salon as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified from time to time in the Manual or otherwise in writing, including but not limited to: (a) information in electronic format; (b) restated in accordance with our financial reporting periods; (c) consistent with our then-current financial reporting periods and accounting practices and standards; and/or (d) as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Salon and/or our company. The reporting requirements of this Section 12.3 shall be in addition to, and not instead of, the electronic reporting required under Section 14.

12.4. *Our Right to Inspect Your Books and Records.* We shall have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this shall constitute a default under this Agreement, and you must immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and 1.5% per Accounting Period (but not more than the maximum rate permitted by law, if any). If we conduct an inspection because you did not timely provide Sales Reports to us, or if an inspection discloses that you understated your sales, in any report to us, by 2% or more, then you agree to pay us (in addition to paying us the overdue amount and interest) a sum equal to the greater of (i) Ten Thousand Dollars (\$10,000) or (ii) any and all costs and expenses we

incur in connection with the inspection (including but not limited to travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies shall be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a certified public accountant) paid on an hourly, contingency or other basis to represent us.

- 12.5. *Operational Inspections.* You grant to us and our agents the right to enter upon the Franchised Salon premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. In the exercise of our rights under this Section 12.5, we will use commercially reasonable efforts not to interfere with your Salon business.
- 12.6. *PCI Compliance and Credit Cards.* With respect to your acceptance and processing of customer payments by credit and debit cards, you agree to do all of the following:
 - 12.6.1. You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, “**Credit Card Vendors**”) that we may periodically designate as mandatory.
 - 12.6.2. You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
 - 12.6.3. We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
 - 12.6.4. You agree to comply with all of our policies regarding acceptance of payment by credit and/or debit cards, including for example minimum purchase requirements for a customer’s use of a credit card (we may set these requirements in the Manual).
 - 12.6.5. You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.
 - 12.6.6. You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- 12.7. *Gift Cards, Stored Value Cards and Incentive Programs.* You agree to offer for sale, and to honor for purchases by customers, all gift cards, stored value cards and other incentive or convenience programs that we may periodically institute (including but not limited to loyalty programs that we or a third party vendor operate, as well as mobile payment

applications); and you agree to do all of those things in compliance with our standards and procedures for such programs as set forth in the Manual.

13. **MARKETING**

13.1. Brand Fund Contribution.

13.1.1. For each Week during the Term of this Agreement, you agree to contribute an amount equal to 2.5% of the Franchised Salon' Gross Sales during the preceding Week ("**Brand Fund Contribution**"). You agree to pay the Brand Fund Contribution in the manner required under Section 4.3 (and as otherwise provided in this Section 13). We will deposit the Brand Fund Contribution in the Brand Fund referred to in Section 13.2. We have the right to increase the amount of the Brand Fund Contribution from 2.5% to up to 5%, in annual increments of up to 0.5% of your Gross Sales ("**Annual Brand Fund Increase**"). We may implement each Annual Brand Fund Increase after either (i) a limited period test of the Annual Brand Fund Increase ("**Marketing Test**") in a test market that we select ("**Test Market**") that we determine has been successful ("**Successful Marketing Test**") or (ii) upon a vote of a majority of all Bubbles Salons operating in the United States, with us (or our affiliate) and each Bubbles franchisee in the U.S. having one vote for each Bubbles Salon that they own and operate as of the date of the vote ("**Approval Vote**"). Your Franchised Salon must participate in any Marketing Test that is conducted in a Test Market within which the Franchised Salon is located and pay the applicable Annual Brand Fund Increase to the Brand Fund during the duration of the Marketing Test ("**Brand Fund Test Amount**"). The Brand Fund Test Amount will be refunded to you, whether the Marketing Test is deemed a success or not, within a reasonable period after completion of the Marketing Test, in the form of either a cash payment or a credit against future Brand Fund Contributions payable by you, as we determine in our sole discretion. The Annual Brand Fund Increase may be increased to more than 0.5% in any year upon an Approval Vote provided, however, the total amount of the Brand Fund Contribution may never exceed 5.0% of Gross Sales during the term of the Agreement. In addition to the Brand Fund Contribution, you agree to spend a minimum of Ten Thousand Dollars to Fifteen Thousand Dollars (\$10,000-\$15,000), as determined by us, to conduct the Grand Opening Marketing Program described in Section 13.6 below.

13.1.2. We also have the right to suspend or reduce the Brand Fund Contribution to such a percentage as we may determine is appropriate by giving you written notice of the reduction and specifying the period during which the reduced Brand Fund Contribution shall be in effect.

13.2. *Brand Fund.* We (or our designee) will maintain and administer the system-wide Bubbles brand marketing fund ("**Brand Fund**") as follows:

13.2.1. We or our designee shall have the right to direct all marketing programs, as well as all aspects thereof, including, without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. You acknowledge and agree that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Brand Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular

franchisee benefits directly or pro rata from expenditures by the Brand Fund. We have the right, in our sole discretion, to allocate some or all of the Brand Fund Contribution for targeted local or regional marketing activities in a particular geographic area within which your Franchised Salon and others are located, which shall be deemed to be a part of the Brand Fund, but for which all revenues and expenses will be accounted for separately on the books of the Brand Fund (“**Regional Marketing Fund**”).

13.2.2. The Brand Fund, all contributions to the Brand Fund, and any of the Brand Funds’ earnings, shall be used exclusively (except as otherwise provided in this Section 13.2) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including but not limited to the costs of preparing and conducting: media advertising campaigns; direct mail marketing; marketing surveys and other public relations activities; employing marketing personnel, as well as advertising and/or public relations agencies to assist therein; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; pay per click, display and other digital media advertising; organic and paid social media activities; email, SMS and loyalty marketing activities; digital marketing technology tools; qualitative and quantitative consumer research; direct mail advertising; public relations activities; developing and maintaining our Website(s) (except for the portion, if any, specifically for soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Salons operated under the System. Without limiting the foregoing, we have the right to use the Brand Fund Contributions to purchase from our affiliates such advertising, marketing, public relations and/or promotional programs and materials that we deem appropriate to promote the Proprietary Marks and the System (which may include, without limitation, magazines, other publications, photos and videos designed for in-Salon use with customers and that are proprietary to us or our affiliates). The Brand Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, so long as we have given our prior written approval; and we will have the right to determine what methods to use in order to promote general public awareness of, and favorable support for, the System and/or for costs related to periodic franchisee conventions, conferences and/or meetings that we organize.

13.2.3. You agree to make your Brand Fund Contribution to the Brand Fund in the manner specified in Section 4.3. We will maintain all sums in the Brand Fund in an account separate from our other monies. We will have the right to charge the Brand Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Brand Fund and marketing programs for franchisees and the System (including but not limited to costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs). The Brand Fund and its earnings shall not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Brand Fund.

- 13.2.4. The Brand Fund is not and shall be not an asset of ours, nor a trust, and we do not assume any fiduciary obligation to you for maintaining, directing or administering the Brand Fund or for any other reason. We will prepare a statement of the operations of the Brand Fund as shown on our books, annually, and make that report available to you upon request.
- 13.2.5. Although the Brand Fund is intended to be of perpetual duration, we maintain the right to terminate the Brand Fund. The Brand Fund shall not be terminated, however, until all monies in the Brand Fund have been expended for marketing and/or promotional purposes or returned on a pro-rata basis to all Bubbles Salons (franchised and/or company affiliated) that contributed to the Brand Fund during the 12-month period prior to the date that it is terminated.
- 13.3. *Standards.* All of your local marketing and promotion must: (a) be in the media, and of the type and format, that we may approve; (b) be conducted in a dignified manner; and (c) conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.4.
- 13.4. *Our Review and Right to Approve All Proposed Marketing.* For all proposed advertising, marketing, and promotional plans, you shall submit to us samples of such plans and materials (by means described in Section 23), for our review and prior written approval before you use any such materials. If you have not received our written approval within 14 days after we have received those proposed samples or materials, then we will be deemed to have disapproved them and you should ensure none of the materials remain or are in use. You acknowledge and agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.5. *Grand Opening Marketing Fee:* If this is the first Salon you have opened ion the DMA, within 90 days prior to the opening of the Salon you must pay us a fee in the amount of Two Thousand Five Hundred Dollars (\$2,500) (“**Grand Opening Marketing Fee**”) for us to develop a template grand opening program plan for the Salon and for all other Bubbles salons that you may open in the same DMA in the future (“**Grand Opening Marketing Program**”)
- 13.6. *Grand Opening Marketing Program.* In addition to and not instead of the Brand Fund Contribution and the Grand Opening Marketing Fee, you agree to spend a minimum of between Ten Thousand Dollars and Fifteen Thousand Dollars (\$10,000 - \$15,000), as we determine, for grand opening marketing and promotional programs (“**Grand Opening Marketing Expenditure**”) in conjunction with the Franchised Salon’s initial grand opening, pursuant to a Grand Opening Marketing Program that you develop and that we approved in writing for the Franchised Salon. We, in consultation with you, will determine the exact amount of your required Grand Opening Marketing Expenditure based upon several factors including the location of the Salon, the cost and availability of media in area in which the Salon is located, the scope of the grand opening promotional plan, etc. The Grand Opening Marketing Expenditure is the minimum expenditure recommended for each Salon. You may wish to expend additional funds as part of your pre-opening and post-opening advertising efforts. The Grand Opening Marketing Program shall be executed and

completed during the period 30 days prior to opening of the Franchised Salon until 60 days after the Franchised Salon commences operation and is subject to the provisions of Section 13.4. For the purpose of this Agreement, the Grand Opening Marketing Program shall be considered local marketing and promotion, as provided under Section 13.7. We reserve the right to require you to deposit the funds required under this Section 13.5 with us, for us to distribute as may be necessary in order to conduct the Grand Opening Marketing Program.

- 13.7. *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion of a local nature, which will focus on disseminating marketing directly related to the Franchised Salon.
- 13.8. *Local Marketing and Promotion.* In addition to and not instead of the Brand Fund Contribution, we encourage (but do not currently require) that you spend monies on local marketing and promotion of the Franchised Salon. We reserve the right, upon written notice, to require that you spend an amount on local advertising approved by us equal to a percentage of the monthly Gross Sales of the Franchised Salon that we determine, in our sole discretion (“**Minimum Local Advertising Expenditure**”), provided however, the total of the Minimum Local Advertising Expenditure and the Brand Fund Contribution shall not exceed 5% of the Gross Sales of the Franchised Salon in any month during the Term of this Agreement. Your failure to make the Minimum Local Advertising Expenditure shall be deemed to be a material default of this Agreement.
- 13.9. *Rebates.* You acknowledge that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.10. *Considerations as to Charitable Efforts.* You acknowledge and agree that certain associations between you and/or the Franchised Salon and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that are, or which may be perceived by the public to be, taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Salon, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

14. TECHNOLOGY

- 14.1. *Computer Systems and Software.* With respect to Computer systems and required software:
- 14.1.1. We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, software as a service (“SaaS”), and hardware to be used by, between, or among Salons, and in accordance with our standards, including without limitation: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone,

voice messaging, retrieval, and transmission systems for use at Salons, between or among Salons, and between and among the Franchised Salon, and you, and us; (b) the HC Technology Platform (defined in Section 14.7 below) (c) the POS Systems (defined in Section 14.8 below); (d) the In-Salon Radio Service (defined in Section 14.9); (e) physical, electronic, and other security systems and measures; (f) printers and other peripheral devices; (g) archival back-up systems; (h) internet access mode (e.g., form of telecommunications connection) and speed; (i) front-of-the-house WiFi and other internet service for customers; and (i) electronic systems for collecting and processing customers' scheduling requests (collectively, all of the above are referred to as the "**Computer System**").

- 14.1.2. We will have the right, but not the obligation, to develop or have developed for our needs, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you will install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you will install; (c) the tangible media upon which such you will record data; and (d) the database file structure of your Computer System.
 - 14.1.3. You agree to install and use the Computer System and Required Software at your sole expense.
 - 14.1.4. You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").
 - 14.1.5. You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to also afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
 - 14.1.6. You must enter into appropriate agreements with vendors of the Computer System and Required Software, and pay those vendors according to the terms of those arrangements.
- 14.2. *Data.* All data that you provide, uploaded to our system from your system, and/or downloaded from your system to our system is (and will be) owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. In addition, all other data that you create and/or collect in connection with the System, or in connection with your operation of the Franchised Salon (including, but not limited to, consumer and transaction data), is and will be owned exclusively by us during the Term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to us upon our request and in accordance with our standards. We hereby license use of such data back to you, at no additional cost, solely for the Term of this Agreement and solely for your use in connection with the business franchised under this Agreement.
- 14.3. *Data Requirements and Usage.* We may periodically specify in the Manual or otherwise in writing the information that you will collect and maintain on the Computer System installed at the Salons, and you will provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to or derived from

the Salons (including, without limitation, data pertaining to or otherwise about Franchised Salon customers) is and shall be our exclusive property, and we hereby grant a royalty-free non-exclusive license to you to use said data during the Term of this Agreement. In connection with any use of data in your Franchised Salon:

- 14.3.1. You agree to comply with all applicable laws pertaining to the privacy of consumer, employee, and transactional information (“**Privacy Laws**”).
- 14.3.2. You also agree to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you will: *(a)* comply with the requirements of applicable law; *(b)* immediately give us written notice of said conflict; and *(c)* promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law.
- 14.3.3. You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.
- 14.4. *Extranet.* You agree to comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other Computer Systems as we may reasonably require. The term “**Extranet**” means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet (even if it is referred to as an “intranet”).
- 14.5. *Participation in the Extranet.* We have the right (but not the obligation) to establish and maintain an Extranet. If we do establish an Extranet, then you agree to use the Extranet and comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to and using the Extranet in connection with the operation of your Franchised Salon. The Extranet may include, without limitation, the Manual, training other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You will purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet.
- 14.6. *No Separate Websites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Website relating in any manner whatsoever to the Franchised Salon or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Website. The term “**Website**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, Google Plus, Pintarest, etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iPad or Droid apps), and other applications, etc. However, if we give you our prior written consent for you to have a separate Website (which we are not obligated to approve), then each of the following provisions shall apply:

- 14.6.1. You specifically acknowledge and agree that any Website owned or maintained by or for the benefit of you will be deemed “marketing” under this Agreement, and will be subject to (among other things) our approval under Section 13.5.
- 14.6.2. You will not establish or use any Website without our prior written approval.
- 14.6.3. Before establishing any Website, you agree to submit to us, for our prior written approval, a sample of the proposed Website name (e.g., domain name), format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner we may reasonably require;
- 14.6.4. You agree not to use or modify such Website without our prior written approval as to such proposed use or modification.
- 14.6.5. In addition to any other applicable requirements, you agree to comply with the Standards and specifications for Websites that we may periodically prescribe in the Manual or otherwise in writing (including, but not limited to, requirements pertaining to designating us as the sole administrator or co-administrator of the Website).
- 14.6.6. If we require you to do so, you will establish such links to our Website and others as we may request in writing.
- 14.6.7. If we require you to do so, you must make weekly or other periodic updates to our Website to reflect information regarding specials and other promotions at your Franchised Salon.
- 14.6.8. We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.
- 14.7. *HC Technology Platform.* You agree to use the services of our designated on-line technology service supplier, which may be us, our affiliate or a third party technology company (“**Platform Supplier**”) in the operation of the Franchised Salon to access certain systems which may include, the point-of-sale system, appointments, inventory replenishment, material safety data sheet online repository, payroll (“**HC Technology Platform**”) and to modify your Computer System, at your sole cost and expense, as may be necessary to access and use the HC Technology Platform. By accessing the HC Technology Platform, we will have access to your gross sales, inventory levels, payroll and other data for reporting purposes. We have entered into, or may enter in the future, one or more direct license agreement with third-party Platform Suppliers which allow us to sublicense the HC Technology Platform to our franchisees. Each month, you must pay us the then-current monthly HC Technology Platform fee (“**HC Technology Platform Fee**”) to allow us to provide you with access to the HC Technology Platform. Your failure to use the HC Technology Platform in the operation of the Franchised Salon and/or your failure to pay us the HC Technology Platform Fee, at any time during the term of this Agreement, shall be deemed a material default of this Agreement.
- 14.8. *HC Technology Platform License Terms and Conditions.* You must at all times comply with the terms of the license agreement between us and the third-party providers of the HC Technology Platform. You must defend, indemnify, and hold us and our affiliates harmless from and against any claims, damages, and expenses (including attorney’s fees and other

litigation expenses) arising out of or relating to: (i) your breach or violation of the terms of any license agreement between us and the third-party providers of the HC Technology Platform, and/or (ii) any asserted patent, trade secret, copyright, or trademark infringement action brought as a result of your use or misuse of the HC Technology Platform.

- 14.9. *POS Systems.* You agree to record all sales on computer-based point of sale systems that we designate in the Manual or otherwise in writing (“**POS Systems**”), which shall be deemed part of your Computer System. You agree to utilize computer-based point-of-sale cash registers which are fully compatible with any program or system (which we shall have the right to require) and you agree to record all Gross Revenues and all sales information on such equipment. You agree to pay vendors of the POS Systems (including us and/or our affiliates, if that is the case) for fees required according to the terms of your arrangements with such vendors for the POS Systems.
- 14.10. *In-Salon Radio Service.* You agree to use the services of our designated supplier of in-salon radio services (“**Radio Services Supplier**”) that provides royalty free music and Bubbles promotional advertising to Bubbles Salons (“**In-Salon Radio Service**”), and to modify your Computer System, at your sole cost and expense, as may be necessary to access and use the In-Salon Radio Services. You must pay the Radio Services Supplier their then-current monthly fee to access and use the In-Salon Radio Service. The Radio Services Supplier may require you to sign direct license agreements or tri-party agreements to allow us to provide you access to the In-Salon Radio Service. Your failure to use the In-Salon Radio Service in the operation of the Franchised Salon and/or your failure to pay the Radio Services Supplier their applicable fees to access the In-Salon Radio Service, at any time during the term of this Agreement, shall be deemed a material default of this Agreement.
- 14.11. *Telephone Service.* You agree to use the telephone service for the Franchised Salon that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Salon. You also agree to sign the Conditional Assignment and Power Of Attorney for Telephone Numbers and Listings that is attached to this Agreement as **Attachment I**.
- 14.12. *Electronic Identifiers; E-Mail.* You must not use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address domain name, and/or other identification of you in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media (including text messages) without first obtaining our written consent as to: (a) the content of such e mail or other electronic media (including text messages) advertisements or solicitations; and (b) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending e-mails, text messages, and other electronic communications including but not limited to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”) and the federal Telephone Consumer Protection Act.
- 14.13. *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of your obligations without our prior written approval therefor. Our consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor’s entry into a confidentiality agreement with us and you in a form

that we may provide. The provisions of this section are in addition to and not instead of any other provision of this Agreement.

- 14.14. *Online Customer Scheduling.* We have the right to require you to participate in our electronic system for collecting and processing customers' scheduling requests for Services and Hair Care Products, whether through our website, telephony, or some other means, and you agree to pay the vendor's then-current charges in connection with use of that system. We also have the right to designate ourselves or an affiliate as the vendor to operate the online customer scheduling system.
- 14.15. *Changes.* Each party to this Agreement acknowledges and agrees that changes to technology are dynamic and not predictable within the Term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to comply with those reasonable new standards that we establish as if we periodically revised this Section 14 for that purpose.
- 14.16. *E-Mail and Fax Communication.* You acknowledge and agree that exchanging information with us by e-mail, text messages, and fax (and other electronic means) is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of e-mail, text messaging, and faxes (and other electronic means) for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail and fax (and other electronic means) to exchange information:
- 14.16.1. you authorize us (and our vendors, affiliates, and their respective employees) to send e-mails, text messages, faxes, and other electronic messages to you and your employees on matters pertaining to the Franchised Salon during the Term of this Agreement;
- 14.16.2. you agree to use only the e-mail address that we designate (or provide to you) for official communication with respect to the Franchised Salon; and
- 14.16.3. we also agree that the consent given in this section shall not apply to the provision of notices by either party under this Agreement using e-mail (and other electronic means) unless the parties specifically have agreed otherwise in a pen-and-paper writing signed by both parties.

15. INSURANCE

- 15.1. *Insurance.* Upon execution of this Agreement and before commencing any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the Term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your sole expense, insurance policies in the amounts and on such terms as prescribed in the Manual in connection with the Franchised Salon or other facilities on the premises, or by reason of the construction, operation, or occupancy of the Franchised Salon or other facilities on the premises. Such insurance policies will protect you and, separately, us (collectively with our parents, subsidiaries, affiliates, successors and assigns, and their respective owners and the officers, directors, shareholders, members, agents, representatives, independent contractors and employees of each of them). Such policies shall be written by an insurance company or companies we have approved, having

at all times a rating of at least “A-” in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Salon is located.

- 15.2. *Deductibles.* You may, with our prior written consent, elect to have reasonable deductibles in connection with the coverage required under Sections 15.1; provided, however, neither us nor our designees shall be responsible for any deductibles and/or waiting periods that may appear in your policies.
- 15.3. *Endorsements.* All insurance policies required pursuant to this Agreement (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manual. All policies shall waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
- 15.4. *Notices to Us.* In the event of cancellation, material change, or non-renewal of any policy, 60 days’ advance written notice must be provided to us in the manner provided in Section 24.
- 15.5. *Construction Coverages.* In connection with all construction, reconstruction, or remodeling of the Franchised Salon during the Term of this Agreement, you must require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor’s and all other contractor’s own expense, such insurance policies and payment and performance bonds in amounts sufficient to cover the contract value of the project plus any existing property (and such insurance shall be extended to provide “delay in opening” coverage, where available), all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1.
- 15.6. *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that we may maintain, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4. Additionally, the requirements of this Section 15 shall not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including, but not limited to, other Salons operated by you (and/or your affiliates) under the System.
- 15.7. *Additional Named Insured.* All public liability and property damage policies shall list us as an additional named insured, and shall also contain a provision that we, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees
- 15.8. *Certificates of Insurance.* At least 30 days before the time you are first required to carry any insurance under this Agreement, and from then on, at least 30 days before the expiration of any such policy, you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates shall expressly provide that we will receive at least 60 days’ prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 must name us, and each of our parents, subsidiaries, affiliates, directors, agents, and employees (or anyone else affiliated with us as we designate), as additional insured parties,

and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

- 15.9. *Proof of Coverage.* In addition to your obligations under Section 15.1, on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date, you agree to provide us with proof of insurance evidencing the proper coverage with limits not less than those required under this Agreement, in such form as we may reasonably require.
- 15.10. *Changes.* We shall have the right, upon 30 days written notice, to require either an increase in said policy limits, require any previous recommended coverage or additional coverage if we, in our sole discretion, deems such increase or additional coverage advisable.
- 15.11. *Failure to Procure Required Insurance.* Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by us in writing, we shall have the right and authority, but not the obligation, to immediately procure such insurance and charge the same to you, which shall be payable by you immediately upon notice. The foregoing remedies shall be in addition to any other remedies we may have at law or in equity.

16. TRANSFER OF INTEREST

- 16.1. *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2. *Your Principals.* If you are an entity, then each party that directly or indirectly holds any interest whatsoever in you (each, a “**Principal**”), and the interest that each Principal directly or indirectly holds in you, is identified in **Attachment C** to this Agreement. You represent and warrant to us that your owners are accurately set forth on **Attachment C** to this Agreement, and you also agree not to permit the identity of those owners, or their respective interests in you, to change without complying with this Agreement. We will have the right to designate any person or entity which owns a direct or indirect interest in you as a Principal, and **Attachment C** shall be so amended automatically upon written notice thereof to you.
- 16.3. *Principals.* We will have a continuing right to designate as a Principal any party that owns a direct or indirect interest in you.
- 16.4. *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals’) business skill, financial capacity, and personal character. Accordingly:
- 16.4.1. Without our prior written consent, neither you nor any successor to any part of your interest in this Agreement, nor any Principal, nor any other party that directly or indirectly owns any interest in this Agreement, in you, and/or in the Franchised Salon, may sell, assign, transfer, convey, pledge, encumber, merge, create a security interest in, and/or give away (collectively, “**transfer**”) any direct or indirect interest in this Agreement, in you, in any or all of your rights or obligations under this Agreement, and/or in all or substantially all of the assets

of the Franchised Salon. Any purported assignment or transfer not having our prior written consent as required by this Section 16 shall be null and void and shall also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5.

- 16.4.2. If you are an entity (other than a partnership or a limited liability partnership), then you agree that: (a) you will not issue any voting securities or interests, or securities or interests convertible into voting securities, without our prior written consent; and (b) the recipient of any such securities shall become a Principal under this Agreement, if we designate them as such.
- 16.4.3. If you are a partnership or limited liability partnership, then the partners of that partnership shall not, without our prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership shall automatically be deemed to be a Principal.
- 16.4.4. Principals shall not, without our prior written consent, transfer, pledge or otherwise encumber their interest in you.
- 16.5. *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
 - 16.5.1. The transferor must have executed a General Release of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules.
 - 16.5.2. The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to us.
 - 16.5.3. The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Salon, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Salon.
 - 16.5.4. We will have the right to require that the transferee execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements

that we may require for the business franchised under this Agreement, and those agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and marketing fee.

- 16.5.5. If we so request, then the transferee, at the transferee's expense, must conduct Facilities Remodeling to conform to the then-current standards and specifications of new Salons then-being established in the System, and the transferee must complete the upgrading and other requirements specified above in Section 5.10 within the time period that we specify.
 - 16.5.6. You must pay in full all of your monetary obligations to us and our affiliates, whether under this Agreement or otherwise, and you must not be otherwise in default of any of your obligations under this Agreement (including but not limited to your reporting obligations).
 - 16.5.7. The transferor shall remain liable for all of the obligations to us in connection with the Franchised Salon that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments that we reasonably request to evidence such liability.
 - 16.5.8. A Principal of the transferee whom we designate to be a new Managing Principal, and those of the transferee's employees as we may require (including their Salon Leader, Assistant Salon Leaders, District Leaders (if applicable) and salon professionals), shall successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (including payment of our then current training fees for attendance at such training), and the transferee shall be responsible for the salary and all expenses of the person(s) that attend training).
 - 16.5.9. You agree to pay us a transfer fee in an amount equal to the greater of: (a) 25% of our then-current initial franchise fee that we are charging to new franchisees under the System at the time of your transfer; or (b) Ten Thousand Dollars (\$10,000). The transfer fee is to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer.
 - 16.5.10. The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 19.
- 16.6. *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following shall apply:
- 16.6.1. You (or the Principal who proposes to sell his/her interest) shall promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within 30 days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase

agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase shall occur within 30 days from the date of notice to the seller of the election to purchase by us.

- 16.6.2. Any material change in the terms of the offer before closing shall constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.
- 16.6.3. If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, the parties must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we shall promptly designate an independent appraiser and you shall promptly designate another independent appraiser and those two appraisers shall, in turn, promptly designate a third appraiser; and all three appraisers shall promptly confer and reach a single determination, which determination shall be binding upon both you and us. The cost of any such appraisal shall be shared equally by both parties.
- 16.6.4. If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you, including but not limited to one-half (1/2) of the cost of the appraisal, if any, specified in Section 16.6.3 against any payment to you.
- 16.7. *Death or Incapacity.* If you or any Principal dies or becomes incapacitated, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within three months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer, so long as you reimburse us for any out-of-pocket expenses that we incur in reviewing and/or documenting a transfer under this Section 16.7).
- 16.7.1. In addition, if the deceased or incapacitated person is the Managing Principal, we will have the right (but not the obligation) to take over operation of the Franchised Salon until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2. For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: (a) for a period of 30 or more consecutive days; or (b) for 60 or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.5, the executor may transfer the decedent's interest to

another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.

- 16.7.3. If an interest is not disposed of under this section within six months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2.
- 16.8. *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 shall not constitute a waiver of any claims that we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9. *No Transfers to a Non-Franchisee Party to Operate a Similar Business.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of the Franchised Salon to a third party who will operate a similar business at the Authorized Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10. *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including without limitation the terms of Sections 16.4, 16.5, and 16.6.
- 16.11. *Securities Offers.* All materials for an offering of stock or partnership interests in you or any of your affiliates that are required by federal or state law shall be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to us for such review before their use. You agree that: (a) no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (b) our review of any offering shall be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (c) we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above. You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us, our subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, you agree to pay us a non-refundable fee of Twenty Thousand Dollars (\$20,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. You agree to give us written notice at least 30 days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering shall be subject to all of the other provisions of this Section 16, including without limitation the terms set forth in Sections 16.4, 16.5, and 16.6; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed. You must also, for the remainder of the term of the Agreement, submit to us for our prior review and approval all additional securities documents you are required to prepare and file in connection with any offering of stock or partnership interests. You must

reimburse us for our reasonable costs and expenses we incur in connection with our review of those materials.

17. DEFAULT AND TERMINATION

- 17.1. *Automatic.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement shall automatically terminate without notice to you: (a) if you will become insolvent or makes a general assignment for the benefit of creditors; (b) if you file a petition in bankruptcy or such a petition is filed against and not opposed by you (to the extent permitted under the U.S. Bankruptcy Code); (c) if you are adjudicated bankrupt or insolvent (to the extent permitted under the U.S. Bankruptcy Code); (d) if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; (e) if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (f) if proceedings for a composition with creditors under any state or federal law is instituted by or against you; (g) if a final judgment remains unsatisfied or of record for 30 days or longer (unless unappealed or a supersedeas bond is filed); (h) if you are dissolved; or if execution is levied against your business or property; (i) if suit to foreclose any lien or mortgage against the Franchised Salon premises or equipment is instituted against you and not dismissed within 30 days; and/or (j) if the real or personal property of the Franchised Salon shall be sold after levy thereupon by any sheriff, marshal, or constable.
- 17.2. *With Notice.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner set forth under Section 24):
- 17.2.1. If you fail to construct and open the Franchised Salon within the time limits provided in Sections 5 and 8.2, and within the requirements stated in Sections 5 and 8.2.4;
- 17.2.2. If you at any time cease to operate or otherwise abandon the Franchised Salon for two consecutive business days (during which you are otherwise required to be open, and without our prior written consent to do so), or lose the right to possession of the premises, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Salon is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within 90 days thereafter, then you will have 30 days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we shall not unreasonably withhold);
- 17.2.3. If you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

- 17.2.4. If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Salon, as determined by us in our sole discretion;
- 17.2.5. If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16;
- 17.2.6. If you fail to comply with the covenants in Section 19.3, or fail to timely obtain execution of the covenants required under Section 19.8;
- 17.2.7. If, contrary to the terms of Sections 9 or 10, you disclose or divulge the contents of the Manual or other Confidential Information that we provide to you;
- 17.2.8. If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7;
- 17.2.9. If you knowingly maintain false books or records, or submit any false reports (including, but not limited to, information provided as part of your application for this franchise) to us;
- 17.2.10. If you use any product that we have not approved or not designated as a Product for use and/or sale in the manner you used such product, including, without limitation improperly using or selling an item as a Retail Product or Back-Bar Product if we had not designated or approved that item in writing for such purpose;
- 17.2.11. If you offer or sell services and/or products that we have not previously approved, or purchase any product from a supplier that we have not previously approved, or if you sell any Proprietary Products anywhere other than from the Franchised Salon or sell any Proprietary Products that are not authorized for sale at retail;
- 17.2.12. If you commit three or more defaults under this Agreement in any 52 Week period, whether or not each such default has been cured after notice (including but not limited to failure to make payments and failure to maintain your ACH (or other) bank account from which we will debit payments);
- 17.2.13. If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;
- 17.2.14. If we discover that you made a material misrepresentation or omitted a material fact in the information that you provided to us in connection with our decision to enter into this Agreement;
- 17.2.15. You interfere with our relations with third parties and the ability to operate, and/or grant franchises under our System;
- 17.2.16. If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or

indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so;

- 17.2.17. If you knowingly or negligently breach any covenant in Section 11 for which you are responsible;
 - 17.2.18. If you fail to complete any of the training programs in Section 6;
 - 17.2.19. If a levy of writ of attachment or execution or any other lien is placed against you, any of the assets of the Franchised Salon or any of you Principals or any of their assets, which is not released or bonded against within 30 days; and/or
 - 17.2.20. If you or any of your Principals breach any other agreement with us or any of our affiliates, or commit an anticipatory breach of any such agreement, and fail to cure such breach within any permitted cure period.
- 17.3. With Notice and Opportunity to Cure.
- 17.3.1. If you are in default of any obligations under this Agreement to make any payments to us or as we may direct (including, without limitation, payment of Royalty Fees and Brand Fund Contributions), we may terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 24) stating the nature of the default at least ten days before the effective date of termination; provided, however, that you may avoid termination by immediately paying to us all amounts owed within the ten day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the ten day period or such longer period as applicable law may require.
 - 17.3.2. Except as otherwise provided above in Sections 17.1, 17.2 and 17.3.1, if you are in default of your obligations under this Agreement, we may only terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 24) stating the nature of the default at least 30 days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of the cure to us, all within the 30 day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the 30 day period or such longer period as applicable law may require.
 - 17.3.3. If you are in default under the terms of any other franchise agreement or other agreement between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.2.
- 17.4. *Bankruptcy*. If, for any reason, the Agreement is not terminated pursuant to this Section 17, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated,

pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to us within 20 days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will thereupon have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement.

- 17.5. *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3, we will also have the right to take any lesser action instead of terminating this Agreement, including but not limited to terminating, modifying, or eliminating completely, the Protected Territory described in Section 1.3.
- 17.6. *Reservation of Rights under Section 17.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5, such action shall be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.
- 17.7. *Damages.* You will pay us all damages, costs, and expenses (including but not limited to reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates), in addition to other remedies that we may have.

18. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you shall immediately terminate, and:

- 18.1. *Cease Operation.* You agree to: (a) immediately stop operating the Franchised Salon; (b) never directly or indirectly represent to the public that you are a present or former franchisee of ours; and (c) never directly or indirectly represent to the public that you had any association with the Proprietary Marks, the Hair Care Products, Proprietary Products, the Services, our company, or and/or our affiliates.
- 18.2. *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the mark "Bubbles" and any and all other Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, websites or other related internet domains, social media platforms, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

- 18.3. *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark “Bubbles” and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five days after termination or expiration of this Agreement.
- 18.4. *Premises.* We will have the right to require you to assign to us any interest that you (and/or your affiliates) may have in the Lease or sublease for the ground upon which the Franchised Salon is operated and/or for the building in which the Franchised Salon is operated.
- 18.4.1. If we do not elect or if we are unable to exercise any option we may have to acquire the Lease or sublease for the premises of the Franchised Salon, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, without limitation, the changing of the telephone number and de-identifying the Proprietary Marks from all surfaces of the premises) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Salons, and shall make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, social media sites, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Salon, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Salon from all trade or business telephone directories, including “yellow” and “white” pages and online directories, or at our request transfer same to us.
- 18.4.2. If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) shall have the right to enter upon the premises of the Franchised Salon, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.5. *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the Hair Care Products, and/or the Proprietary Marks.
- 18.6. *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums shall include all damages, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.7. *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent

to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18.

- 18.8. *Return Confidential Information.* You agree to immediately return to us the Manual and all other manuals, records, and instructions containing Confidential Information (including, without limitation, any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.
- 18.9. *Our Option to Buy Your Assets.* We (or a designated third-party of our choosing) will have the right (but not the obligation), which we may exercise at any time within 30 days after expiration, termination, or default under the Lease or the sublease, if you sublet the property, to buy from you any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Salon, at the lesser of your cost or fair market value. The parties agree that “cost” shall be determined based upon a five year straight-line depreciation of original costs. For equipment and fixtures that are five or more years old, the parties agree that fair market value shall be deemed to be 10% of the equipment’s original cost. If we elect to exercise any option to purchase provided in this Section 18.9, we shall have the right to set off all amounts due from you.
- 18.10. *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) shall have the right to enter the Franchised Salon (without liability to you, your Principals, your affiliates or otherwise) for the purpose of continuing the Franchised Salon’s operation and maintaining the goodwill of the business.
- 18.11. *Lost Future Royalties.* If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Salon, subject to applicable law, you agree to pay to us, as liquidated damages, an amount calculated as follows: (a) the average of your monthly Royalty Fees that are due under this Agreement for the 12 months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than 12 months, the average of your monthly Royalty Fees for the number of months you have operated the Franchised Salon); (b) multiplied by the lesser of 60 or the number of months remaining in the then-current term of this Agreement under Section 2. You agree that these amounts are a fair and reasonable estimate of the damages that we will sustain as a result of your failure to comply with this Agreement, and that such damages are appropriately construed as liquidated damages and not as a penalty.
- 18.12. *Stop Using HC Technology Platform and In-Salon Radio:* You agree to immediately cease accessing and using the HC Technology Platform and the In-Salon Radio Service and you further authorize us to notify the Platform Supplier and the Radio Services Supplier, respectively, that the Franchise Agreement has expired or terminated and to immediately terminate your access to and ability to use the HC Technology Platform and In-Salon Radio Service in connection with the Franchised Salon.

19. COVENANTS

- 19.1. *Full Time Efforts.* You agree that during the Term of this Agreement, except as we have otherwise approved in writing, you (or the Managing Principal) shall devote full time, energy, and best efforts to the management and operation of the Franchised Salon.

19.2. *Understandings.*

19.2.1. You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our system if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2. As used in this Agreement, the term “**Competitive Business**” means a hair salon, or any hair cutting, hair coloring, or other hair care business, or (ii) any business, including a nail salon, day spa, or personal grooming business which derives more than 25% of its revenue from providing hair cutting, styling, coloring, or texturing services, or from the sale of related retail hair care products similar to those offered in the System (including over the internet), or (iii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) or (ii) (other than a Bubbles Salon operated under a franchise agreement with us). A drug, department or grocery store selling hair care products, without offering hair care services, is not a Competitive Business.

19.3. *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the Term of this Agreement and for a continuous period of two years after the expiration or termination of this Agreement for any reason, and/or a transfer as contemplated in Section 16, or if litigation is necessary to enforce this Agreement) the date of entry of an order by a court of competent jurisdiction enforcing this Agreement, you any of your owners, your Principals, or any Guarantors, and any of your or your owners’, Principals’ or Guarantors’ immediate family members (which will include spouses and domestic partners, and such other persons as we may specify following our review of your franchise application and proposed operations and ownership structure (“**Immediate Family Members**”), directly or indirectly, for yourself (or themselves), or through, on behalf of, or in conjunction with any person, persons, trust, partnership, corporation, limited liability company, or other entity or trust vehicle, shall not, in any manner whatsoever, do any of the following:

19.3.1. Divert or attempt to divert any actual or potential business or customer of any **Bubbles** Salon to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2. Be, or perform services as, a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating, or employ or seek to employ any person who is then employed by us

or any other **Bubbles** area developer or franchisee, or otherwise directly or indirectly induce such person to leave his or her employment. In addition to any other rights and remedies available to us under this Agreement, in the event of a violation of this Section, we will have the right to require you to pay to us (or such other “**Bubbles**” area developer or franchisee, as the case may be) an amount equal to two times the annual salary of the person(s) involved in such violation, plus an amount equal to our costs and attorney’s fees incurred in connection with such violation. You agree that these amounts are a fair and reasonable estimate of the damages that we will sustain as a result of your failure to comply with this Section 19, and that such damages are appropriately construed as liquidated damages and not as a penalty.

19.3.3. Own, maintain, operate, engage in, franchise or license, make loans to, lease real or personal property to, render services or give advice to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business, wherever located or operating (except that equity ownership of less than 2% of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph).

19.3.4. Contact, solicit, or otherwise seek business (other than for a Salon operated under a valid franchise agreement with us) from any person who is or was a customer of the Franchised Salon.

19.4. *Where Restrictions Apply.* During the Term of this Agreement and during the two-year period following the expiration or earlier termination of this Agreement for any reason whatsoever, or a transfer as contemplated under Section 16, or if litigation is necessary to enforce this Agreement) the date of entry of an order by a court of competent jurisdiction enforcing this Agreement, these restrictions shall apply within ten miles of (i) the Authorized Location and/or (ii) any then-existing Bubbles Salon or any business operating under our Other Brands, except as we may otherwise approve in writing. These restrictions shall not apply to Salons that you operate that we (or that our affiliates) have franchised to you pursuant to a valid franchise agreement.

19.5. *Application to Transfers.* You further covenant and agree that, for a continuous period of two years after the expiration or termination of this Agreement for any reason whatsoever, and/or a transfer as contemplated in Section 16, you and/or any immediate family members, directly or indirectly, for yourself (or themselves), or through, on behalf of, or in conjunction with any person, persons, trust, partnership, corporation, limited liability company, or other entity or trust vehicle, will not, sell, assign, lease or transfer the Authorized Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Authorized Location. You and your immediate family members, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Authorized Location, shall include these restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at the Authorized Location for this two-year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

- 19.6. *Periods of Non-Compliance.* If, at any time during the two-year period following expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16, or if litigation is necessary to enforce this Agreement) the date of entry of an order by a court of competent jurisdiction enforcing this Agreement, you fail to comply with your obligations under this Section 19, then that period of noncompliance will not be credited toward your satisfaction of the two-year obligation specified above.
- 19.7. *Publicly-Held Entities.* As used in this Agreement, the term “publicly-held corporation” shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8. *Personal Covenants.* Subject to applicable law, you agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18, and this Section 19 (as modified to apply to an individual), from your Managing Principal, Salon Leader, Assistant Salon Leaders, District Leader (if applicable) and such other owners and employees of yours as we determine, in our sole judgment. The covenants required by this section shall be in the form provided in **Attachment H** to this Agreement. If you do not obtain execution of a covenant required by this section and deliver to us those signed covenants, that shall constitute a default under Section 17.2.6.
- 19.9. *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce in writing the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10. *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11. *Covenant as to Anti-Terrorism Laws.* You and the owners of your business (“**Owners**”) agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are “blocked” under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12. *Defaults.* You acknowledge that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction without the need for us to post any bond prohibiting any conduct in violation of the terms of this Section 19, on an emergency, temporary and/or permanent basis. Nothing herein, however, shall reduce or restrict our right to pursue and collect damages for your default under this Section 19, liquidated or otherwise, including all other remedies available under this Agreement.

20. TAXES, PERMITS, AND INDEBTEDNESS

- 20.1. *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 20.2. *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including but not limited to any that are affiliated with us) that supply goods or services to you and/or the Franchised Salon.
- 20.3. *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Salon, or any improvements thereon.
- 20.4. *Compliance with Law.* You agree to comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, health certificates, licenses for individuals to conduct the activities contemplated under this Agreement (including but not limited to a license for any cosmetologists, estheticians, nail specialists, natural hair styling specialists, hair cutting specialists, waxing specialists, and for certain spa services), fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any such laws are in conflict with the terms of this Agreement, the Manual, or our other instructions, you agree to: (a) comply with said laws; (b) immediately provide us with written notice describing the nature of the conflict; and (c) cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.
- 20.5. *Notice of Violations and Actions.* You agree to notify us in writing within five days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five days occurrence of any accident or injury which may adversely affect the operation of the Franchised Salon or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 21.1. *Independent Contractor Relationship.* It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that you will be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.
- 21.2. *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the business

pursuant to a franchise from us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the Authorized Location, the content of which we reserve the right to specify.

- 21.3. *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor shall we be liable by reason of any act or omission in your conduct of the Franchised Salon or for any claim or judgment arising therefrom against either party to this Agreement.
- 21.4. *Indemnification.* You agree to indemnify and hold each of the Franchisor Parties harmless against any and all Damages arising directly or indirectly from any Asserted Claim as well as from your breach of this Agreement, including any Damages flowing from any Security Breach. Your indemnity obligations shall survive the expiration or termination of this Agreement, and shall not be affected by the presence of any applicable insurance policies and coverages that we may maintain.
- 21.5. *Definitions.* As used in Section 21.4, the parties agree that the following terms shall have the following meanings:
- 21.5.1. “**Asserted Claim**” means any allegation, claim or complaint that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including, but not limited to, any claim associated with your operation of the Franchised Salon or otherwise), or any default by you under this Agreement, notwithstanding any claim that any Franchisor Party was or may have been negligent.
- 21.5.2. “**Damages**” means all claims, demands, causes of action, suits, damages, liabilities, fines, penalties, assessments, judgments, losses, and expenses (including without limitation expenses, costs and lawyers’ fees incurred for any indemnified party’s primary defense or for enforcement of its indemnification rights).
- 21.5.3. “**Franchisor Parties**” means us, our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, employees, and agents.
- 21.5.4. “**Security Breach**” means any event, whether accidental, negligent or intentional, involving an actual compromise of the security, confidentiality, or integrity of personally identifying information (PII), including but not limited to, any unauthorized access or use by a known or unknown third party or employee of such PII, or other customer data, including credit and debit card information.

22. FORCE MAJEURE

- 22.1. *Impact.* If either party to this Agreement (“**Non-Performing Party**”) is prevented from performing, or is unable to perform, any of its obligations under this Agreement due to acts beyond its control, including, but not limited to, any: (i) act of God, fire, casualty, flood, hurricanes, earthquakes or other natural disasters, (ii) war, riots, terrorism, insurrection, hostilities (whether declared or not) or acts of foreign enemies, (iii) failure of public utilities, loss of electrical or other power or telecommunications equipment not attributable to a party’s negligence, or destruction of production facilities (iv) strikes, lockouts, labor

actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; (v) our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any Hair Care Products or Proprietary Products used in the operation of the Franchised Salon; (vi) pandemic, epidemic or other public health emergency, (vii) act, exercise, assertion or requirement of any Governmental and Regulatory Authority, and/or (viii) any other similar cause as those listed herein that are beyond the reasonable control of a party (“**Force Majeure Event(s)**”), and if the Non-Performing Party has used commercially reasonable efforts to avoid the impact of the applicable Force Majeure Event and minimize its duration, then the Non-Performing Party’s failure to perform its obligations will be excused and will not give rise to any liability for losses or other damages, and the time for performance of such obligations will be extended for the period of delay or inability to perform due to such Force Majeure Event. Nothing herein shall limit, prevent or otherwise excuse your payment obligations under the terms of this Agreement.

22.2. *Transmittal of Funds.* The inability of either party to obtain and/or remit funds shall be considered within the control of such party for the purpose of Section 22.1. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23. APPROVALS AND WAIVERS

23.1. *Request for Approval.* Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2. *No Warranties or Guarantees.* You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3. *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that shall not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement.

24. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by certified mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

25. ENTIRE AGREEMENT AND AMENDMENT

- 25.1. *Entire Agreement.* This Agreement and the attachments referred to herein constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced either party to execute this Agreement. The parties acknowledge and agree that they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by us of any representation made in our Franchise Disclosure Document (“FDD”), including the attachments and any amendments to the FDD.
- 25.2. *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26. SEVERABILITY AND CONSTRUCTION

- 26.1. *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading “Background,” are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here.
- 26.2. *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.
- 26.3. *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16, any rights or remedies under or by reason of this Agreement.
- 26.4. *Captions Don’t Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption shall be deemed to affect the meaning or construction of any provision hereof.
- 26.5. *Use of the term “Including.”* The parties agree that whenever the term “including” is used in this Agreement, it is meant to be broadly encompassing, and should always be understood to mean “including but not limited to”.
- 26.6. *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.
- 26.7. *How We Exercise Our Rights.* Although we may exercise any of our rights, carry out any of our obligations, or otherwise discharge any of our duties under this Agreement directly,

through the use of employees, independent contractors, professional advisors (for example, a CPA), or otherwise, we will still remain responsible for the proper performance of our obligations to you under this Agreement.

- 26.8. *Expenses.* Each party shall bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

27. APPLICABLE LAW AND DISPUTE RESOLUTION

- 27.1. *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement shall be interpreted and construed exclusively under the laws of the State of Florida which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Florida choice-of-law rules); provided, however, that the covenants in Section 19 of this Agreement shall be interpreted and construed under the laws of the state in which the Franchised Salon is located. Nothing in this Section 27.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Florida, to which this Agreement would not otherwise be subject.

- 27.2. *Choice of Venue.* Subject to Section 27.3, the parties agree that any action that you bring against us, in any court, whether federal or state must be brought only within such state and in the judicial district in which we have our principal place of business. Any action that we may bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business or within the state and judicial district in which you or your Franchised Salon is located:

27.2.1. The parties agree that this Section 27.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above.

27.2.2. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

- 27.3. *Mediation.* Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided in Section 27.5). Any such mediation shall be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes for JAMS, the American Arbitration Association, CPR, or another neutral dispute resolution organization that we may designate (or as otherwise agreed between the parties). Notwithstanding anything to the contrary, this Section 27.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

- 27.4. *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

- 27.5. *Injunctions.* Nothing contained in this Agreement shall bar our right to obtain injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6. **WAIVER OF JURY TRIALS. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**
- 27.7. **MUST BRING CLAIMS WITHIN ONE YEAR. EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED SALON, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, SHALL BE COMMENCED WITHIN ONE YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.**
- 27.8. **WAIVER OF PUNITIVE DAMAGES. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.**
- 27.9. *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 11 and 19); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28. ACKNOWLEDGMENTS

- 28.1. *Your Investigation of the Business Possibilities.* You acknowledge that you have conducted an independent investigation of the business franchised under this Agreement, recognize that this business venture involves business risks, and that your success will be largely dependent upon your ability (or, if you are an entity, your owners as independent businesspersons).
- 28.2. *No Warranties or Guarantees.* We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.
- 28.3. *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the attachments(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with ample time within which to review with applicable

advisors. You also acknowledge that you received the FDD at least 14 days before the date on which this Agreement was signed, or as otherwise provided under applicable state law.

- 28.4. *You Read the Agreement and Consulted with Advisors.* You confirm that you have read and understood the FDD, this Agreement, and the attachments to this Agreement, and that you had sufficient time and opportunity to consult with advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement. You confirm that you have no knowledge of any representations by us, or anyone purporting to act on our behalf, that are contrary to the statements made in the FDD or contrary to the terms of this Agreement.
- 28.5. *No Conflicting Obligations.* Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.
- 28.6. *Your Responsibility for the Choice of the Authorized Location.* You acknowledge that you have sole and complete responsibility for the choice of the Authorized Location; that we have not (and shall not be deemed to have, even by our approval of the site that is the Authorized Location) given any representation, promise, or guarantee of your success at the Authorized Location; and that you will be solely responsible for your own success at the Authorized Location.
- 28.7. *Your Responsibility for Operation of the Franchised Salon.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your Franchised Salon, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Salon and the implementation and maintenance of System Standards at the Franchised Salon.
- 28.8. *Different Franchise Offerings to Others.* You acknowledge and agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 28.9. *Success Depends on You.* You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.
- 28.10. *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you hereby agree to the following:

*You (on behalf of yourself and your immediate family members, parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, “**Releasers**”) freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively “**Releasees**”), with respect to any and all claims, demands, liabilities and*

causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “claims”), which any Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Franchised Salon and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You expressly agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise impair or affect any claims arising after the date of this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

HCF USA1, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Address for Notices:

Address for Notices:

2875 NE 191 Street, Suite 905,
Aventura, Florida 33180
Telephone _____
Email: Legal@haircuttery.com
Attn: Legal Department

Telephone: _____
Fax: _____
Attn: _____

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT A**

DATA ADDENDUM

¶	Section Cross- Reference	Item
1	1.2	The Authorized Location under this Agreement shall be:
2	1.3	The Protected Territory under this Agreement shall be:
3	4.1	The Franchise Fee shall be payable as follows A. _____ Thousand and No/100 U.S. Dollars (\$____,000.00), payable upon execution of the Bubbles Development Agreement dated ____,202__, for which Franchisor acknowledges receipt; and B. _____Thousand and No/100 U.S. Dollars (\$____,000.00), payable upon execution of this Franchise Agreement, for which Franchisor acknowledges receipt.
4	4.9	The Development Services Fee Payable under this Agreement shall be (\$_____)
5	4.10 and 13.5	The Grand Opening Marketing Fee payable under this Agreement shall be (\$_____)
6	13.6	The Grand Opening Marketing Expenditure that you must spend on your Grand Opening Marketing Program for this Salon shall be (\$_____)

	Initials	
Franchisee		Franchisor

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT B**

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

1. As an inducement to HCF USA1, LLC (“**Franchisor**”) to execute the *BUBBLES* Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 20____ (“**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

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

3. The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

4. The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 9.3, 11, 16, 18, and 19 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “**Bubbles**” marks or system licensed to Franchisee under the Agreement.

5. This Guarantee shall terminate upon the termination or expiration of all obligations of Franchisee under the Agreement and/or any other agreements between Franchisee and Franchisor, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations under this Agreement existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

6. Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 27 of the Agreement (including but not limited to the waiver of jury trials, the agreement to bring claims within one year after the occurrence of the facts giving rise to such claim or action, the waiver (to the fullest extent permitted by law) of any right to or claim of any punitive or exemplary damages, and the exclusive application of Massachusetts law).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT C**

LIST OF PRINCIPALS

Name of Principal	Home Address	Interest %

Initials	
_____	_____
Franchisee	Franchisor

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT D**

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, BRAND FUND CONTRIBUTION, AND OTHER FEES)**

_____ (Name of Person or Legal Entity)

_____ (ID Number)

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes **HCF USA1, LLC** (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**” or “**Bank**”) to debit or credit such account(s) pursuant to our instructions.

_____ Depository

_____ Branch

_____ City

_____ State

_____ Zip Code

_____ Bank Transit/ABA Number

_____ Account Number

This authorization is to remain in full and force and effect until sixty days after we have received written notification from Franchisee of its termination.

Printed Name
of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT E**

ADA CERTIFICATION

HCF USA1, LLC (“Franchisor” or “us”) and _____ (“Franchisee” or “you”) are parties to a franchise agreement dated _____, 202____ (“Franchise Agreement”) for the operation of a Franchised Salon at _____ (“Franchised Salon”).

- In accordance with Section 5.8 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Salon and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Salon.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

Franchisee:

By:_____

Printed Name:_____

Title:_____

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT F**

LEASE RIDER

THIS ADDENDUM (“Addendum”) has been executed as of this ___ day of _____, 202___, by and between _____ (“**Franchisee**”) and _____ (“**Landlord**”), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein (“**Lease**”) dated as of _____, 202__ for the premises located at [address], in the State of _____ (“**Premises**”).

Franchisee has also entered (or will also enter) into a Franchise Agreement (“**Franchise Agreement**”) with **HCF USA1, LLC** (“**Franchisor**”) for the development and operation of a “**Bubbles**” salon at the Premises, and as a condition to obtaining Franchisor’s approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. The Premises may be used solely for the operation of a **Bubbles** business. Franchisee, as the tenant under the Lease, shall have the right to display and use the “**Bubbles** marks and signs in the manner required by the Franchisor.
2. Landlord agrees to deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
3. Franchisee hereby assigns to Franchisor, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its Option to Purchase under the Franchise Agreement; and (c) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee’s obligations under the Lease.
4. Any default under the Lease shall also constitute a default under the Franchise Agreement, and any default under the Franchise Agreement shall also constitute a default under the Lease.
5. Franchisor shall have the right, but not the obligation, to cure any breach of the Lease upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests thereunder.
6. Franchisee and Landlord agree that they will not modify, amend, supplement, and/or extend, nor (in the case of Franchisee) assign the Lease rights, without Franchisor’s prior written consent.
7. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above. The parties also agree that by signing this Addendum, Franchisor has not guaranteed Franchisee’s obligations to Landlord.
8. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord’s prior consent, further assign the Lease to another franchisee of Franchisor to operate a **Bubbles** salon at the Premises provided that the proposed franchisee has met all of Franchisor’s applicable criteria and requirements and has executed a franchise agreement with Franchisor. Landlord and Franchisee agree to execute such further documentation to confirm Landlord’s consent to the assignment permitted under this Addendum as

Franchisor may reasonably request for that purpose. Upon such assignment to a franchisee of Franchisor, Franchisor shall be released from any further liability under the terms and conditions of the Lease.

9. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, then Franchisee has an obligation under the Franchise Agreement to take certain steps to properly de-identify the Premises as a “**Bubbles**” salon (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.
10. If Landlord is an affiliate or an owner of the Franchisee, then Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the “**Bubbles**” salon is located.
11. Landlord and Franchisee agree that the terms in this Addendum shall supersede any terms to the contrary set forth in the Lease.
12. Franchisor, along with its successors and assigns, is an intended third-party beneficiary of the provisions of this Addendum.
13. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, shall also be sent to Franchisor at 2875 NE 191 Street, Suite 905 Aventura, Florida 33180 (attention President), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

HCF USA1, LLC

Landlord

Tenant

By: _____

By: _____

By: _____

Printed
Name: _____

Printed
Name: _____

Printed
Name: _____

Title: _____

Title: _____

Title: _____

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT G**

SITE SELECTION ADDENDUM

HCF USA1, LLC (“**Franchisor**” or “**us**” or “**we**”) and _____ (“**Franchisee**” or “**you**”) have this ____ day of _____, 20____ entered into a **Bubbles** Franchise Agreement (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (“**Addendum**”). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within 180 days after the date of this Addendum, you agree to acquire or lease/sublease, at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (“**Franchised Salon**”) at a site that we will have approved in writing as provided below.

a. Such location shall be within the following area: _____

_____ (“**Site Selection Area**”).

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Salon.

c. We will not establish, nor franchise another party to establish, a “**Bubbles**” business operating under the System within the Site Selection Area until the end of the Search Period. For purposes of this Addendum, the term “**Search Period**” means _____ [months] [days] from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for the Franchised Salon, whichever event first occurs. Upon expiration of the Search Period, the protections of this paragraph 1(c) will expire and you will have no further rights in and to the Site Selection Area than as otherwise provided in the Franchise Agreement.

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Salon within the time required in Section 1 above, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Salon, and such site selection counseling and assistance as we may deem advisable. We will perform such on site evaluations as we may deem advisable in response to your requests for site approval; provided, however, that we will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** Within 90 days after signing this Addendum, you must submit to us, in the form that we specify: (a) a completed site acceptance request form (“**Site Acceptance Request**” or “**SAR**”) in the form that we require); (b) such other information or materials that we may reasonably require; and (c) an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. A copy of our current SAR form is attached to this Agreement as Exhibit “A”. You acknowledge that time is of the essence. We will have 30 days

after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Salon. We have the right to approve or disapprove any such site. If we do not approve a proposed site by giving you written notice within the 30 day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities:** Within 30 days after we have approved a site, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the **Lease Rider** attached to the Franchise Agreement as **Attachment F**. However, even if we examine the Lease, we are not responsible for review of the Lease for any terms other than those contained in the Lease Rider.

5. **Authorized Location:** After we have approved the location for the Franchised Salon and you have leased or acquired that location, the location shall constitute the **Authorized Location** described in Section 1.2 of the Franchise Agreement. The Authorized Location shall be specified on **Attachment A** to the Franchise Agreement, and shall become a part the Franchise Agreement. The Protected Territory, as defined under Section 1.3 of the Franchise Agreement, shall be the geographic area thereafter described in **Attachment A** to the Franchise Agreement, and shall become a part of the Franchise Agreement.

a. You hereby acknowledge and agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Salon or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You acknowledge and agree that your acceptance of a franchise for the operation of the Franchised Salon at the site is based on your own independent investigation of the suitability of the site.

6. **Construction:** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

HCF USA1, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A To Site Selection Addendum

Site Acceptance Request Form

The undersigned does hereby request a review by Bubbles of a proposed site for a Bubbles salon at the following location:		
Franchisee:		
Site Location:		
City:	County:	State:
DMA:		
Date Received by Bubbles:		
<u>PROCEDURES FOR SITE SUBMISSION</u>		
<p>UNDER THE TERMS OF MY DEVELOPMENT AGREEMENT WITH BUBBLES, I AM SUBMITTING THE ATTACHED LOCATION FOR SITE REVIEW. I UNDERSTAND THAT IN ORDER FOR THIS REQUEST TO BE PROCESSED BY BUBBLES THE ATTACHED FORM WITH ALL THE REQUIRED INFORMATION WILL BE SUBMITTED.</p> <p>I am fully aware that neither submission of this request for site review, nor recommendation of acceptance by a Bubbles representative constitutes acceptance of the above-described location and that only written notification by Bubbles will constitute acceptance. I understand and agree that if the above-described location is accepted by Bubbles in writing, such acceptance does not in any way imply an assurance of the success of the proposed restaurant.</p> <p>Should I enter into any real estate contract or lease prior to site acceptance, I understand that I should include provisions for cancellation without penalty in the case that the site is not accepted by Bubbles or in the case that financing and/or building permits cannot be obtained.</p> <p>Upon written notice of site acceptance by Bubbles, I agree to construct or cause to be constructed, a Bubbles Salon in accordance with the building specification as approved by Bubbles.</p> <p>The completed Site Acceptance Request (SAR) form is to be mailed or emailed to the Support Center (SC). Following an internal review, the Franchise Real Estate Director (FRD) may schedule an on-site inspection. The Franchise Real Estate Director may require that I submit additional information as well as meet with the FRD at the proposed location.</p>		
PROJECTED CONSTRUCTION START DATE:		PROJECTED OPENING DATE:
ATTACHMENTS: (Please check all that are included)		
Shopping Center Layout (if applicable)		Aerial Photograph
Boundary and Topographic Survey		Cash Flow Projection
Street map showing the location and all Nearby Salon locations		Decision Logic
As-Built Building Plans Building elevations		A site plan showing drives, curb cuts, gas islands, parking

Evidence of Control of Property			
FRANCHISEE NAME: (PLEASE PRINT OR TYPE)		DATE:	
FRANCHISEE SIGNATURE	CONTRACT #	OPTION #	
OFFICE STREET ADDRESS	CITY	STATE	ZIP CODE
OFFICIAL RESIDENCE STREET ADDRESS	CITY	STATE	ZIP CODE
OFFICE TELEPHONE	EMAIL		CELL

FINANCIAL DATA

Franchisee:		
Location Address:		
Contract Data:	Purchase	Ground Lease
	Shopping Center Lease	Build-To-Suit
Date contract/lease to be fully executed If fully executed, contingency deadlines		

PURCHASE PRICE/LEASE TERMS									
Purchase price:					Lease Term:				
							(Minimum Lease Term with options to match or exceed Franchise Agreement)		
Rent Schedule									
Base Term			Rent		Options			Rent	
Yrs		to		\$	Yrs	to		\$	
Yrs		to		\$	Yrs	to		\$	
Yrs		to		\$	Yrs	to		\$	
Yrs		to		\$	Yrs	to		\$	
Percentage Rent?	Yes		No		Amount %		Breakpoint \$		Per yr

ESTIMATED CAPITAL INVESTMENT	
Leasehold Improvement Cost	\$

Furniture, Fixtures & Equipment	\$				
Signage	\$				
Legal/Architectural/Engineering Fees	\$				
Development Impact Fees	\$				
Franchise Fees	\$				
Working Capital	\$				
Other Costs (Describe)	\$				
TOTAL INVESTMENT	\$				
How were the above costs Determined?					
FINANCING					
Loan Period:					
Amount to be Financed		Term			
Lending Institution		Loan Rate			%
ZONING – SIGNS - UTILITIES					
Franchisee:					
Site Location:					
City:		County:		State:	
Does current zoning Permit a Salon?	Yes	No	If so, what is the time frame?		
Is a special permit Required?	Yes	No	If so, what is the time frame?		
Any additional requirements?	(i.e. subdivision, platting, variances, conditional use, special exception, etc.):				
Parking spaces available:					
SIGNS					
Is standard sign package permitted?	Yes	No			
Max. Height: _____ feet	Max. dimensions: _____ x _____	Max. size allowed			
Monument/Pylon Signage Permitted?	Yes	No			
UTILITIES					

Which utilities are available at property line?				
Gas	Electricity	Water	Storm	Sanitary Sewer

TRADE AREA DATA

Franchisee:									
Location Address:									
City:		County:							
State:		Zip:							
Attach a scaled street map showing the trade area, proposed location, nearest Bubbles and surrounding competition.									
DEMOGRAPHICS									
Current Population:		<u>1 Mile</u>		<u>2 Miles</u>		<u>3 Miles</u>		<u>Community</u>	
Median HH Income: \$ _____									
Median Age: _____		Yrs							
Population : White	_____ %	Black	_____ %	Asian	_____ %	Hispanic Origin			_____ %
Growth Trends:		Percent Unemployment:		_____ %					
MAJOR TRAFFIC GENERATORS									
Major Employers									

--

SHOPPING CENTER DATA

Name of shopping center			
Management Company/Landlord			
Contact Person:			
Address:			
Cell:		Email:	
Space #	_____	Total space square footage	_____
Dimensions:	Front	Right	Left
			Rear
Any off-premise storage		How much	
Contiguous property users	Left	Right	
Space located on _____ Level			
Location: Street entrance	Corridor to: Entrance _____ Anchor _____ Other _____		
Tenant Construction Criteria. Manual available?	Yes _____ No _____		
Shopping Center Information: Attach current flyer			
Size of Center: _____ sq. ft.	Number of stores in center: _____		
Major Anchors (Names and size of each)			
_____	_____	_____	_____

ADDITIONAL FINANCIAL DATA					
Common Area Maintenance		\$	Per Year: Per Month:	Sq.Ft. (choose one)	
Merchants Assoc. and/or Marketing Fund Initial Fee?			\$	Annual Charge:	
Taxes	\$ Per year		Insurance	\$ Per year	
Other costs required:		Type and Amount			
Construction allowance from Landlord:	Yes No	Amount		\$	

DECISION LOGIC DATA

FRANCHISEE:			
LOCATION ADDRESS:			
The following must be completed and submitted with this request:			
SALES ESTIMATES:	First year:	\$	Second year: \$
How were these determined?			

Using this page, please highlight your reasons why you believe this location will be a successful Bubbles Salon? Discuss the positive and negative features of the Market Area, the Immediate Trade Area, the site, the competition, and the Business Generators. Also, list any special or unusual considerations and why this site should be accepted by Bubbles.

--

BUBBLES PROJECTED CASH FLOW DATA

FRANCHISEE:				
LOCATION ADDRESS				
		PERCENT		\$ AMOUNT
GROSS SALES ANNUAL		100%		
	Cost of Sales			
	Coupons			
	TOTAL COST OF SALES			
GROSS PROFIT				
	Salaries/Management			
	Hourly - overtime			
	FICA Taxes			
	Unemployment Insurance			
	Medical Insurance			
	Workers Compensation Insurance			
TOTAL PERSONNEL EXPENSES				
	Utilities			
	Phone			
	Rubbish-Removal			
	Supplies-cleaning			
	Supplies – other			
	Small wares			
	Uniforms			
	Cash +/-			
	Repairs & Maintenance			
	Paid outs			
	Miscellaneous			

TOTAL OPERATING EXPENSES				
	Administrative Overhead			
	Royalties			
	Advertising / Marketing			
	Taxes/Licenses/Fees			
	Insurance			
	Real Estate Taxes			
	Land - Rent			
	Land – Amortization			
	Building - Amortization			
TOTAL EXPENSES				
SALON CASH FLOW: (Before depreciation & income tax)				

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT H**

**SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT**
(to be signed by franchisee and its personnel)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this ____ day of _____, 20__, by and between _____ (“**Franchisee**”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (“**Member**”).

RECITALS:

WHEREAS, **HCF USA1, LLC (“HFC”)** owns a format and system (“**System**”) relating to the establishment and operation of “**Bubbles**” salons, offering hair styling, hair cutting, hair coloring, hair texturing and related hair care services (together, the “**Services**”), and the retail sale to customers of related professional hair care and styling beauty products and tools from designated or approved suppliers (together, the “**Hair Care Products**”), operating in structures that bear HFC’s interior and exterior trade dress (each, a “**Salon**”);

WHEREAS, HFC identifies its Salons by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the marks “**Bubbles**” and certain other trade names, service marks, and trademarks that HFC currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”);

WHEREAS, HFC and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a **Bubbles Salon** (the “**Franchised Salon**”) and to produce and distribute the Hair Care Products, Proprietary Products, services, and other ancillary products approved by HFC and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;

WHEREAS, the Member, by virtue of his or her position with Franchisee, will gain access to certain of HFC’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, including the contents of any Manual or other training materials, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of your operation under the terms of the Franchise Agreement (the “**Confidential Information**”). Any and all information, knowledge, know-how, and techniques which HFC designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention before disclosure thereof by HFC; or which, at or after the time of disclosure by HFC to

Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete and Non-Solicitation.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of HFC and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by HFC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Solicit, divert, or attempt to divert any business or customer of the Franchised Salon or of any Franchised Salon using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with HFC's Proprietary Marks and the System.

(ii) Employ or seek to employ any person who is at that time employed by **XYZ**, Franchisee, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any Competitive Business (as defined below).

(c) Member covenants and agrees that during the term of the Franchise Agreement and the Post-Term Period (defined below), except as otherwise approved in writing by HFC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member shall not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Salon and which business is, or is intended to be, located within a ten (10) mile radius of either the Authorized Location or any other Salon operating at the time that the obligations under this commence.

(d) As used in this Agreement, the term "Competitive Business" shall include, but not be limited to a hair salon, or any hair cutting, hair coloring, or other hair care business, or (ii) any business, nail salon, day spa, or personal grooming business which derives more than twenty-five percent (25%) of its revenue from providing hair cutting, styling, coloring, or texturing services, or from the sale of related retail hair care products similar to those offered in the System (including over the internet), or (iii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) or (ii) (other than a Bubbles Salon operated under a franchise agreement with HC or its affiliates). A drug, department or grocery store selling hair care products, without offering hair care services, is not a Competitive Business.

(e) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 16 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of Member's employment with Franchisee; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either

directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief/Remedies for Breach. Member acknowledges that any failure to comply with the requirements of this Agreement will cause HFC irreparable injury in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, the Member agrees that, notwithstanding any provision of this Agreement to the contrary, HCF shall be entitled (without the necessity of showing economic loss or other actual damage) to injunctive relief (including temporary restraining orders, preliminary injunctions and/or permanent injunctions) in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth herein in addition to any other legal or equitable remedies it may have, and Member agrees to pay all costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisee and/or HFC in enforcing this Agreement, obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement. The preceding sentence shall not be construed as a waiver of the rights that the Franchisee or HCF may have for damages under this Agreement or otherwise, and all of the Franchisee's and HCF's rights shall be unrestricted

4. Reasonableness. The covenants set forth in this Agreement shall survive the termination of Member's affiliation with the Franchisee. The Member agrees that all covenants set forth in this Agreement are fair and reasonable in scope, time and area, and should be enforced. Member also agrees and admits that the restrictions are legitimate protectable business interests without the need for proof or other evidence. Therefore, should any part of this Agreement be held unenforceable or invalid, it is the intent of the parties that such provision shall not be wholly invalid but shall, for the purposes of this Agreement, be deemed to be the maximum restriction which a court of competent jurisdiction deems reasonable and enforceable in any jurisdiction in which such court is convened. If any part, provision or paragraph of this Agreement shall be held unenforceable or invalid, the remaining part, provision or paragraph shall continue to be valid and enforceable as though the invalid portions were not a part thereof.

5. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect HFC's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

6. Delay. No delay or failure by the HFC or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. Third-Party Beneficiary. Member hereby acknowledges and agrees that HFC is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

8. Miscellaneous. This Agreement shall be construed and all the rights, powers and liabilities of the parties hereunder shall be determined in accordance with the laws of the State of Florida. In any action to enforce the terms of this covenant Member agrees to submit to the jurisdiction of any state or federal court in Florida, and hereby waives objections to such jurisdiction, whether for forum non-conveniens or otherwise. Member agrees that any failure of the Franchisee or HCF to enforce the covenants herein against any other individual, for any reason, shall not constitute a defense to enforcement of this

Agreement against the Member. Member acknowledges that Member: (a) has carefully read this Agreement in its entirety; (b) has had an opportunity to consider it fully, and to consult with an attorney prior to executing this Agreement; and (c) is entering into this Agreement freely, knowingly and voluntarily. This Agreement constitutes the entire agreement between and among the parties with respect to the subject matter hereof and supersedes any prior agreements or understandings between them. No amendment or waiver of this Agreement or any provision hereof shall be effective unless in a writing signed by the parties. This Agreement may be executed by facsimile, .pdf or electronic means in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT I**

**CONDITIONAL ASSIGNMENT AND POWER OF ATTORNEY
TELEPHONE NUMBERS AND LISTINGS**

This Assignment and Power of Attorney (“**Assignment**”) is made this ____ day of _____, 202__, by and between **HCF USA1, LLC** (“**Franchisor**”) and _____ (“**Franchisee**”).

FOR VALUE RECEIVED, and pursuant to Franchisee’s obligations under the **Bubbles Franchise Agreement** dated _____, 202__ by and between Franchisor and Franchisee (“**Franchise Agreement**”), Franchisee hereby assigns to Franchisor all of Franchisee's right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”) used from time to time in connection with Franchisee’s operations under the Franchise Agreement.

Assignment.

- Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the right (and Franchisor is hereby empowered) to implement this Assignment of the Telephone Numbers and Listings, and, in such event, Franchisee will have no further right, title or interest in the Telephone Numbers and Listings but will remain liable to the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as the “**Telephone Company**”) for all past due fees owing to the Telephone Company on or before the effective date of this Assignment.
- Franchisee acknowledges and agrees that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the sole right to and interest in the Telephone Numbers and Listings.

Power of Attorney.

- Franchisee appoints Franchisor as Franchisee's true and lawful attorney in fact to direct the Telephone Company to assign same to Franchisor (or to the party Franchisor designates) and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee). If Franchisee fails to promptly direct the Telephone Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee), Franchisor may direct the Telephone Company to effectuate the assignment contemplated hereunder to Franchisor (or Franchisor's designee).
- The parties agree that the Telephone Company may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings upon such termination or expiration (without renewal or extension) and that such assignment will be made automatically and immediately effective upon Telephone Company's receipt of such notice from Franchisor or Franchisee.
- The parties further agree that if the Telephone Company requires that the parties execute the Telephone Company's assignment forms or other documentation at the time of termination or expiration (without renewal or extension) of the Franchise Agreement, Franchisor's execution of such forms or

documentation on behalf of Franchisee will be sufficient to document that Franchisee has given its consent and agreement to the assignment.

- The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration (without renewal or extension) of the Franchise Agreement.

This Assignment will inure to the benefit of Franchisor and will be binding upon Franchisee and its successors and assigns.

IN WITNESS WHEREOF, the parties to this Assignment have executed and delivered this Assignment effective as of this ____ day of _____, 202__.

HCF USA1, LLC

Franchisor

_____,
Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT J**

NON-EXCLUSIVE FINDER'S AGREEMENT

This non-exclusive finder's agreement ("**Agreement**") is entered into between HCF USA1, LLC, a Delaware limited liability company (which includes any affiliate) ("**Franchisor**") and the *Bubbles* Franchisee(s) identified below ("**Seller/Franchisee**") pursuant to the following mutual understandings:

- A. Seller/Franchisee desires to obtain the assistance of Franchisor in identifying qualified prospective purchasers for Seller/Franchisee's Bubbles Salon ("**Salon**") located at _____.
- B. Franchisor's assistance to Seller/Franchisee will consist of introducing Seller/Franchisee to potential purchasers identified by Franchisor who are believed to be qualified to pursue a Bubbles franchise opportunity ("**Buyers**").
- C. Because Franchisor's role will be limited to introducing Buyers to Seller/Franchisee, Seller/Franchisee understands that Franchisor is not acting as a broker under this Agreement.
- D. Given Franchisor's limited role as a finder, Franchisor recommends that Seller/Franchisee consider employing a professional business broker and/or engaging other professional assistance in pursuing the sale of the Salon.

Now, therefore, for good and valuable consideration, including the foregoing recitals and the mutual promises, covenants, terms and conditions set forth below, the undersigned parties agree as follows:

- 1. During the term of this Agreement, Franchisor will place the Salon on a list of available Bubbles Salons for consideration by Buyers. Franchisor shall not be obligated in any way to expend any money or specific efforts to market or advertise the Salon, or to introduce to Seller/Franchisee any minimum number of Buyers.
- 2. The term of this Agreement shall be for a period of six (6) months from the effective date set forth below, unless terminated by either party upon ten (10) days written notice to the other party.
- 3. In the event a Buyer who has been introduced to Seller/Franchisee by Franchisor purchases the Salon during the term of this Agreement or within a period of one year thereafter, Seller/Franchisee agrees to pay Franchisor a finder's fee of Fifty Thousand Dollars (\$50,000.00) or 25% of the purchase price, whichever is greater. The above fee shall be payable in full to Franchisor at the time of closing and shall be deducted from the proceeds otherwise paid to Seller/Franchisee. Financing or terms offered by Seller/Franchisee shall not affect the amount of the fee due to Franchisor.
- 4. For the purposes of Paragraph 3, above, Seller/Franchisee will be deemed to have sold the Salon to a Buyer whenever a Buyer or an entity controlled by a Buyer takes title or possession of (a) the Salon assets, or (b) 25% or more of the ownership interest of the entity owning the Salon.

5. Franchisor may submit this Agreement to any escrow opened to facilitate the sale of the Salon, and this Agreement shall be deemed to constitute irrevocable instructions of Seller/Franchisee to the escrow officer that the above fee must be paid by the escrow officer to Franchisor before or at the closing.
6. Franchisor may coordinate with Seller/Franchisee for Buyers to visit the Salon at mutually convenient times.
7. Seller/Franchisee will cooperate in good faith with Franchisor's efforts to find a Buyer who is ready, willing and able to purchase the Salon and will provide whatever financial and other information may be reasonably requested by the Buyer regarding the Salon and its operations. This information may include, but need not be limited to, profit and loss statements, reports submitted to Franchisor, and any financial analysis package prepared with respect to the Salon.
8. Seller/Franchisee hereby authorizes Franchisor to release any and all information regarding the operation of the Salon that Seller/Franchisee has provided to Franchisor for presentation to Buyers, provided that such information shall be submitted to a Buyer only after the Buyer has entered into a nondisclosure agreement acceptable to Seller/Franchisee.
9. Seller/Franchisee acknowledges that it is solely responsible for the accuracy of any financial and other information given by Franchisor to Buyers. Seller/Franchisee further acknowledges: (i) that Franchisor will not perform any audit or verification of the information provided by Seller/Franchisee, or otherwise revise, change or alter the information, and (ii) that Franchisor will disclose to Buyers that this information is strictly the representation of the Seller/Franchisee and that Franchisor does not take any responsibility whatsoever regarding its accuracy or reliability. Buyers shall have the right to initiate reasonable efforts to verify the accuracy of information provided to them, and the Seller/Franchisee shall cooperate and assist in all such efforts.
10. Seller/Franchisee acknowledges that Franchisor is acting solely to find a Buyer and cannot negotiate or provide advice on the terms and conditions of sale of the Salon. Seller/Franchisee acknowledges that Franchisor neither represents the Seller/Franchisee nor any Buyer in any agency capacity and is not a licensed business or real estate broker. Seller/Franchisee acknowledges that Franchisor is not acting and has not acted as a business, accounting, legal or tax advisor for Seller/Franchisee in any capacity. Seller/Franchisee shall negotiate and conclude the sale terms and conditions itself or retain properly licensed professionals, if deemed necessary by Seller/Franchisee, to perform all such work.
11. Seller/Franchisee also acknowledges that any Buyer must comply with Franchisor's current transfer requirements and that Franchisor will take appropriate actions under the franchise agreement between Seller/Franchisee and Franchisor to process any potential transfer. Nothing in this agreement limits or otherwise alters Seller/Franchisee's or Franchisor's rights, duties or obligations under the franchise agreement, including any right of first refusal in favor of Franchisor. In the event that Franchisor does exercise its right of first refusal, Seller/Franchisee shall remain obligated to pay the referral fee due in accordance with Paragraph 3, above.
12. Seller/Franchisee agrees to indemnify, defend and hold harmless Franchisor, and its parents, subsidiaries, affiliates, shareholders, officers, directors, agents and employees, from any claims, liabilities, actions, damages, or costs (including attorney's fees) arising out of or in any way connected with this Agreement or the sale of the Salon.

13. Seller/Franchisee acknowledges that Franchisor has advised Seller/Franchisee to consult with Seller/Franchisee's attorney, accountant and/or business advisor, as appropriate, regarding all issues relating to a sale of the Salon. Seller/Franchisee acknowledges that, except as may be expressly set forth in this Agreement or in the franchise agreement between Franchisor and Seller/Franchisee, Franchisor has no duty or obligation to Seller/Franchisee.
14. Other than the Salon franchise agreement, which shall remain unaffected hereby, this Agreement supersedes any and all previous agreements, either oral or written, between the parties with respect to the sale and transfer of the Salon and contains all covenants and agreements between the parties with respect to Franchisor acting as a finder for such sale and transfer. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements have been made by any party, or anyone acting on behalf of any party, which are not included herein, and that no agreement, statement or promise not contained in this Agreement shall be valid or binding.
15. Any modifications of the Agreement shall be effective only if in writing and signed by both parties.
16. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida. Any dispute arising or relating to this Agreement will be resolved as set forth in the Seller/Franchisee's Salon franchise agreement, and such dispute resolution provisions will survive the sale of Seller/Franchisee's Salon.
17. This Agreement shall be effective when signed by Franchisor below:

Seller/Franchisee:

[Legal Name of Entity, if not a sole proprietorship]

By: _____

By: _____

Name Printed

Name Printed

Date

Date

Franchisor

HCF USA1, LLC

By: HC Salon Holdings, Inc., its sole member

By: _____

(Title)

(Date)

**BUBBLES
FRANCHISE AGREEMENT
ATTACHMENT K**

GENERAL RELEASE

GENERAL RELEASE

This General Release of Claims (“**Release**”) is made as of _____ by _____, a(n) _____ (“**Franchisee**”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “**Releasor**”) in favor of HCF USA1, LLC, a Delaware limited liability company (“**Franchisor**,” and together with Releasor, the “**Parties**”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (“**Agreement**”) pursuant to which Franchisee was granted the right to own and operate a Bubbles Franchised Salon;

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee (**enter into a successor franchise agreement**), and Franchisor has consented to such transfer (**agreed to enter into a successor franchise agreement**); and

WHEREAS, as a condition to Franchisor’s consent to the transfer (**Franchisee’s ability to enter into a successor franchise agreement**), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent to the transfer (**Franchisor entering into a successor franchise agreement**), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. The undersigned represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “**Released Parties**”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Non-disparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Florida.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

(Signatures on following page)

IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By: _____

Name: _____

Its: _____

Date _____

FRANCHISEE'S OWNERS:

Signature

Typed or Printed Name

EXHIBIT E

MULTI-UNIT DEVELOPMENT AGREEMENT



Multi-Unit Development Agreement

Between

HCF USA1, LLC

And

[Name of Developer]

Date:

DA #:



MULTI-UNIT DEVELOPMENT AGREEMENT

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Multi-Unit Development Agreement

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (“**Agreement**”) is made and entered into as of the date that we have indicated on the signature page of this Agreement (“**Effective Date**”) by and between:

- **HCF USA1, LLC**, a Delaware limited liability company, with its principal place of business at 2875 NE 191 Street, Suite 905, Aventura, Florida 33180 (“**we**,” “**us**,” or “**Franchisor**”); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**you**” or “**Developer**”).

Introduction:

A. We own a format and system in the U.S. relating to the establishment and operation of “**Bubbles**” hair and beauty salons, which are businesses operating under our Proprietary Marks in buildings that bear our interior and/or exterior trade dress (each one of which is referred to as a “**Salon**” or a “**Bubbles Salon**”). Salons specialize in offering a full complement of hair styling, hair cutting, hair coloring, hair texturing and related hair care services (together, the “**Services**”), and the retail sale to customers of related professional hair care and styling beauty products and tools from designated or approved suppliers (together, the “**Hair Care Products**”). Among the Hair Care Products are products that are proprietary to us and to our affiliates, which may include shampoos, conditioners, and other hair and beauty treatments that are manufactured or prepared according to our specifications and formulas and which we may designate for use and/or for sale in Salons, including products bearing the “**CIBU**” marks (“**Proprietary Products**”). We may periodically adjust the list of Proprietary Products to include other hair and beauty-care items. Additionally, we may specify that only certain Hair Care Products that we designate may be used in providing Services to customers in Salons (“**Back Bar Products**”) and/or offered for retail sale to customers in Salons (“**Retail Products**”). You must purchase all Hair Care Products used and/or sold in your Salon from us, our affiliates, or our designees.

B. Among the distinguishing characteristics of a Salon are that it operates under our “**System**.” Our System includes (among other things): providing Services at affordable prices with appointments available, but walk-ins welcome; a distinctive interior and exterior design; equipment layouts and specifications; hair cutting and coloring techniques for Services; Proprietary Products; operational procedures; quality and uniformity of Services and Hair Care Products offered; procedures for management and inventory control; training and assistance; and advertising and marketing programs; stylist retention programs; regional and national events; business formats, methods, procedures, designs, layouts, standards, and specifications all of which we may periodically change, improve, and further develop (together, the “**System**”).

C. We identify the System by means of our Proprietary Marks. Our proprietary marks include the certain trade names (for example, the “**Bubbles**” mark and logo), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically designate in writing for use in connection with the System (all of these are referred to as our

“**Proprietary Marks**”). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of services and products marketed under those marks and under the System, and to represent the System’s high standards of quality, appearance, and service.

D. We offer certain qualified applicants the right to develop, open and operate multiple Salons (each, a “**Franchised Salon**”, and collectively, the “**Franchised Salons**”) within limited geographic territories. You would like to be granted the opportunity, subject to the terms and conditions of this Agreement, to develop multiple Franchised Salons within the mutually agreed-upon geographic territory set forth in **Appendix A (“Development Area”)**.

E. You acknowledge the importance of the standards of quality, operations and service established by us for the System (“**System Standards**”) and the necessity of identifying sites, for and developing Franchised Salons, in strict conformity with this Agreement and our confidential operations manuals (“**Manuals**”).

F. We are willing to grant you the opportunity to develop Franchised Salons in the Development Area, subject to the terms and conditions of this Agreement.

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account (and in consideration of) all of the promises and commitments that they are each making to one another in this contract, and they agree to all of the following terms and conditions:

1. RIGHTS GRANTED

Grant of Development Rights. Subject to the terms of this Agreement, we grant to you the right and you accept the obligation, to develop Franchised Salons (the exact number of Franchised Salons is set forth in **Appendix A**) all of which must be located within the Development Area (“**Development Business**”). You must timely locate and secure an acceptable site for each Franchised Salon, according to our site selection and leasing procedures and requirements, and open each Franchised Salon in accordance with the schedule which is set forth in **Appendix A (“Development Schedule”)**. As specified in Section 6.1 below, you must enter into a Franchise Agreement for each Franchised Salon that you will develop and operate at an Authorized Location (as defined in Section 6.3 below).

1.1. *Development Rights Only.* This Agreement is not a license or a franchise agreement, and this Agreement does not give you the right to operate Salons or use Proprietary Marks or the System. In addition, this Agreement does not give you any right to license others to operate Salons or use the Proprietary Marks or System. This Agreement only gives you the opportunity to enter into **Bubbles** Franchise Agreements (collectively, the “**Franchise Agreements**”) for the operation of Salons at sites you select and we accept. You agree not to acquire any interest in any site for any Salon before obtaining our acceptance of the site pursuant to a Franchise Agreement, as further described in Sections 6.2 and 6.3 below. Each Franchised Salon developed pursuant to this Agreement must be established and operated in strict accordance with a separate Franchise Agreement.

1.2. *Forms of Development Agreement.* Over time, we will enter into agreements with other multi-unit developers and franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other multi-unit developers and franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

- 1.3. *Best Efforts.* You agree at all times to perform your obligations under this Agreement faithfully, honestly, and diligently and to use your best efforts to develop the Franchised Salons in accordance with the time limits and time frames set forth in this Agreement and the Development Schedule.

2. LIMITED EXCLUSIVITY

- 2.1. *Your Limited Exclusive Rights.* Provided you are otherwise in compliance with all of your obligations under this Agreement, all of the Franchise Agreements between you and us, and all other agreements between you and us, and our respective parents, subsidiaries and affiliates, we agree not to establish, nor to license any person to establish another Bubbles Salon at any location within the Development Area during the Development Term of this Agreement, except as otherwise provided in this Agreement.
- 2.2. *Exclusions and Rights We Reserve.* We retain all other rights, and may, among other things, on any terms and conditions we deem advisable, and without granting you any rights therein do any or all of the following:
 - 2.2.1. We have the right to establish, and license others to establish, Salons at any location outside the Development Area, notwithstanding their proximity to the Development Area or any Franchised Salons that you develop within the Development Area or their actual or threatened impact on sales of any of your Franchised Salons;
 - 2.2.2. We have the right to establish, and license others to establish, Salons at any Captive Market Location (as defined below) inside or outside the Development Area;
 - 2.2.3. We have the right to establish, and license others to establish mobile (vehicle based) businesses operating under the System and the Proprietary Marks ("**Mobile Salons**") even if those businesses offer services and/or sell products that are the same as or similar to the Services and/or Products offered from Franchised Salons, whether those businesses are located inside or outside the Development Area, despite their actual or threatened impact on sales at your Franchised Business provided, however, no such Mobile Salon may offer or sell any such products or services within 100 feet from the entrance of your Franchised Salons;
 - 2.2.4. We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks (including but not limited to businesses operated under the "**Other Brands**" referred to in Section 2.4 below), even if those businesses offer or sell services and/or products that are the same as or similar to the Services and Products offered from the Franchised Salons, whether those businesses are located within or outside the Development Area, despite such business' proximity to any of your Franchised Salons or the Development Area or their actual or threatened impact on sales at any of your Franchised Salons;
 - 2.2.5. We have the right to acquire (or be acquired) and then operate any business of any kind whether located within or outside the Development Area despite such business' actual or threatened impact on sales at any of your Franchised Salons, but we will not change those other businesses into "**Bubbles**" Salons operated in the Development Area as long as your exclusivity in the Development Area hereunder continues;
 - 2.2.6. We have the right to offer, sell and distribute (including the right to license others to do the same), directly or indirectly, any Services and/or Products (including Proprietary Items)

from any location or to any purchaser (including sales made to purchasers in the Development Area through electronic means, such as the Internet, other digital sites, and mail order), so long as those sales are not made from a Salon operated from a location inside the Development Area (excluding a Captive Market Location). We will not compensate you for sales we may make through any such alternative distribution channels;

- 2.2.7. We have the right to create, place, and/or distribute or authorize others to create place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Development Area; and/or
- 2.2.8. Definitions. The term "**Captive Market Location**" means a business to which end-users do not primarily come for the purpose of experiencing the Services or using the Products, such as hotels, casinos, department stores or other "big box" retailers, airports or other transportation centers, colleges or universities, military installations and other government operated facilities.
- 2.3. *Limitations.* You agree not to engage in any activity that we have reserved to ourselves under Section 2.2. above. Except as expressly granted to you in Section 2.1 above, we retain all other rights to use and license the System and the Proprietary Marks. Additionally, the restrictions contained in this Section 2 do not apply to Salons in operation, under lease or construction or other commitment to open in the Development Area as of the Effective Date.
- 2.4. *Other Brands.* You acknowledge that that we and our affiliates operate, may later acquire and operate and/or offer franchises to others to operate businesses under brands that are not part of the "**Bubbles**" System, including, but not limited to, the "Hair Cuttery" hair care brand (these other businesses are collectively referred to as the "**Other Brands**"). You further acknowledge and agree that: (a) this Agreement does not confer upon you any rights with respect to the Other Brands; (b) we and our affiliates may engage in any business activities whatsoever, at any location, in connection with the Other Brands; and (c) you agree not to use any of the Other Brands in any manner whatsoever.

3. **TERM**

The term of this Agreement ("**Development Term**") begins on the Effective Date and expires on the date that the last Franchised Salon is required to be opened pursuant to the Development Schedule (as described in Section 4.1. below and **Appendix A**), unless terminated at an earlier date pursuant to Section 10 below. Expiration of this Agreement will not affect your right and obligation to operate each Franchised Salon for which we have signed a Franchise Agreement before expiration of this Agreement. There are no renewal terms or extensions of this Agreement, unless you and we mutually agree (and neither party is obligated to do so) at the expiration.

4. **DEVELOPMENT SCHEDULE**

- 4.1. *Development Obligations.* During the Development Term, you must timely develop, open and continuously operate in the Development Area the number of Franchised Salons specified in the Development Schedule, which is included in **Appendix A**. For each Franchised Salon to be developed during the Development Term, there are two (2) applicable deadlines under the Development Schedule. First, following the procedures set forth in the Franchise Agreement that you will sign for each Franchised Salon (as described in Section 6 below), you must obtain and secure a site that we have approved as an Authorized Location by the applicable Site Approval Deadline, as shown on the Development Schedule. Second, you must develop and open the

Franchised Salon at the Authorized Location by the Opening Deadline, as set forth in the Development Schedule. Your strict compliance with the deadlines set forth in the Development Schedule is essential to this Agreement. Any failure by you in fulfilling your obligations to locate and secure a site as an Authorized Location or to develop and open any Franchised Salon when required by the Development Schedule will constitute a material, non-curable breach of this Agreement permitting us immediately to terminate this Agreement by giving written notice of termination to you. **Time is of the essence.**

- 4.2. *Effect of Closing of Franchised Salon.* If, during the Development Term, you close any of your Franchised Salons and fail within 30 days to re-open at the same or a new location approved by us in writing, or if any Franchise Agreement between you and us terminates or expires for any reason, then the affected Salon will not count as an operational Salon for purposes of complying with the Development Schedule or provisions of this Agreement.
- 4.3. *Effect Of Transfer Of Franchised Salon.* If, during the Development Term, you transfer any Franchised Salon developed hereunder in accordance with the terms of the applicable Franchise Agreement and, subsequent to the transfer, you no longer are involved in the operation of that Franchised Salon; provided that we approve that transfer, we will continue to count that Salon for the purpose of meeting your obligations under the Development Schedule for so long as that Salon continues to be operated pursuant to a valid agreement with us or our affiliates.
- 4.4. *Reasonableness of Development Schedule.* You acknowledge that you have conducted your own independent investigation and analysis of the prospects for the establishment Franchised Salons in the Development Area, approve of the foregoing Development Schedule as being reasonable and viable, and recognize that failure to achieve the results described in the Development Schedule shall constitute a material breach of this Agreement on the basis of which we will have the right to terminate this Agreement as provided herein.

5. FEES

- 5.1. *Development Fee.* In consideration for the development rights granted to you hereunder, you must pay to us, at the same time that you sign this Agreement, a non-refundable development fee in the amount set forth in **Appendix A ("Development Fee")**. The Development Fee is \$17,500 for each Salon to be developed under this Agreement. At the time you sign each Franchise Agreement to open a new Salon under the terms of this Agreement, including the Franchise Agreement for the first Salon, you will pay a development franchise fee ("**Development Franchise Fee**") equal to \$17,500. You must sign the then-current form of Franchise Agreement for each Salon that you develop under this Agreement, the first of which must be signed at the same time this Agreement is signed. The Development Fee is fully earned by us when you sign this Agreement and will not be refunded for any reason, even if you don't open any of the Salons committed to be developed under this Agreement..

6. EXECUTION OF FRANCHISE AGREEMENTS AND AUTHORIZED LOCATIONS.

- 6.1. *Form of Franchise Agreement and Preparation.* You must sign our current form of Franchise Agreement for the first Franchised Salon to be developed hereunder when you sign this Agreement. If you are in compliance with this Agreement and any other agreements with us, at your written request, we will prepare and forward to you a Franchise Agreement for each additional Franchised Salon that you are to develop under this Agreement. The Franchise Agreement for each additional Salon developed hereunder will be the then-current form of Franchise Agreement. Each of your

Principals shall execute our then-current form of Franchise Agreement guaranty at the time each Franchise Agreement is executed for Franchised Salon developed hereunder.

- 6.2. *Site Acceptance.* You must locate a site acceptable to us for each Franchised Salon on or before the Site Approval Deadline set forth on the Development Schedule for such Franchised Salon. You must pay us a separate fee of Five Hundred Dollars (\$500) for each proposed site that you submit to us for review (the "**Site Evaluation Fee**"). The Site Evaluation Fee will be paid at the time you submit each proposed site to us for review. We will not evaluate any proposed site unless and until the Site Evaluation Fee is paid for such proposed site.
- 6.3. *Time to Sign Franchise Agreement and Secure Site:* You must sign the Franchise Agreement for each Franchised Salon to be developed hereunder no later than thirty (30) days following the Site Approval Deadline ("**Franchise Agreement Execution Date**") and secure the site for the applicable Franchised Salon under the terms of the Franchise Agreement no later than one hundred twenty (120) days prior to the Opening Deadline under the Development Schedule ("**Site Acquisition Date**"). Upon securing the site in the manner required by the Franchise Agreement, the site will be referred to as the "**Authorized Location**" for that Franchised Salon. Then, according to the terms of the applicable Franchise Agreement, you must develop the Authorized Location and open the Franchised Salon at the Authorized Location on or before the applicable Opening Deadline under the Development Schedule. You assume all cost, liability and expense for locating, obtaining and developing sites for the Franchised Salons and constructing and equipping Franchised Salons in accordance with our System Standards and as required by the Franchise Agreement at sites approved by us. Any lease signed by you for an Authorized Location shall be subject to any requirements, including execution of the applicable Lease Rider, set forth in the Franchise Agreement.

7. YOUR ORGANIZATION AND MANAGING PRINCIPAL

- 7.1. *Representations.* If you are a business entity, you represent that: (1) you are duly organized and validly existing under the laws of the jurisdiction of formation; (2) you are qualified to do business in the state or states where you plan to develop Franchised Salons; (3) execution of this Agreement and the development and operation of the Franchised Salons is permitted by your governing documents; and (4) your entity is in compliance with the requirements of Section 7.4 below.
- 7.2. *Execution Of Personal Guarantee.* Each Principal and/or spouse (as defined in Section 8.2 below) must jointly and severally guarantee your payment and performance under this Agreement and any other agreements between you and us, our affiliates and our successors and assigns and must personally bind themselves to the terms of this Agreement and any other agreements or arrangements between you and us, our affiliates and our successors and assigns. The current form of Guarantee, Indemnification, and Acknowledgment is attached as **Appendix B**.
- 7.3. *Managing Principal*
 - 7.3.1. If you are a business entity, one of your Principals must serve as your Managing Principal, unless we approve otherwise in writing. The Managing Principal as of the Effective Date is identified on **Appendix C**. The Managing Principal will be the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person that we will recognize as having authority to communicate for and on your behalf. The Managing Principal must devote best efforts to supervising the development of your Franchised Salons, and must not engage in any other business or activity, directly

or indirectly, that requires substantial management responsibility. However, the Managing Principal may serve as a Salon Leader (as defined in the Franchise Agreement).

7.3.2. You may not change the Managing Principal without our prior written consent. If the Managing Principal no longer qualifies as such, you must designate another qualified person to act as Managing Principal within thirty (30) days after the date the prior Managing Principal ceases to be qualified.

7.4. *Legal Compliance.* You must comply with all requirements of any applicable federal, state, and local laws, rules, and regulations. You must timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement. This obligation is in addition to the obligation to comply with all laws, and obtain all licenses and permits that is imposed on the franchisee under the Franchise Agreements. To the extent that the requirements of these laws are in conflict with the terms of this Agreement or any other instructions, you must: (1) comply with these laws; and (2) immediately provide written notice to us describing the nature of any such conflict.

8. TRANSFER OF INTEREST

8.1. *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.

8.2. *Your Principals.* If you are an entity, then each party that directly or indirectly holds any interest whatsoever in you (each, a "**Principal**"), and the interest that each Principal directly or indirectly holds in you, is identified in **Appendix C** to this Agreement. You represent and warrant to us that your owners are accurately set forth on **Appendix C** to this Agreement, and you also agree not to permit the identity of those owners, or their respective interests in you, to change without complying with this Agreement. We will have the right to designate any person or entity which owns a direct or indirect interest in you as a Principal, and **Appendix C** shall be so amended automatically upon written notice thereof to you.

8.3. *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this Agreement and the development rights hereunder in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

8.3.1. Except as otherwise set forth in this Section 8, neither this Agreement nor any development rights granted hereunder shall be transferrable under any conditions whatsoever. Any purported assignment or transfer not having our prior written consent as required by this Section 8 shall be null and void and shall also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 10.2.7 below.

8.3.2. Without our prior written consent, neither you nor any successor to any part of your interest in this Agreement, nor any Principal, nor any other party that directly or indirectly owns any interest in this Agreement, and/or in you, may sell, assign, transfer, convey, pledge, encumber, merge, create a security interest in, and/or give away (collectively, "**transfer**") any direct or indirect interest in this Agreement, in you, and/or in any or all of your rights or obligations under this Agreement.

- 8.3.3. If you are an entity (other than a trust, partnership or a limited liability partnership), then you agree that: (a) you will not issue any voting securities or interests, or securities or interests convertible into voting securities, without our prior written consent; and (b) the recipient of any such securities shall become a Principal under this Agreement, if we designate them as such.
- 8.3.4. If you are a trust, partnership or limited liability partnership, then the trustees or beneficiaries of the trust, or the partners of any partnership shall not, without our prior written consent, change trustees or add beneficiaries or admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership shall automatically be deemed to be a Principal.
- 8.3.5. Principals shall not, without our prior written consent, transfer, pledge or otherwise encumber their interest in you.
- 8.4. *Transfer Conditions.* We will not unreasonably withhold any consent required by Sections 8.3.2 through 8.3.5 above; provided, that if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
- 8.4.1. The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules.
- 8.4.2. The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to us
- 8.4.3. The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Development Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Development Business.
- 8.4.4. You must pay in full all of your monetary obligations to us and our affiliates, whether under this Agreement or otherwise, and you must not be otherwise in default of any of your obligations under this Agreement.
- 8.4.5. The transferor(s) shall remain liable for all of the obligations to us arising under this Agreement before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments that we reasonably request to evidence such liability.
- 8.4.6. In our discretion, you agree to pay us a transfer fee in an amount not to exceed the greater of (a) Five Thousand Dollars (\$5,000) multiplied by the remaining number of Salons to be

developed under this Agreement or (b) Ten Thousand Dollars (\$10,000). The transfer fee is to compensate us for our legal, accounting, training, and other expenses incurred in connection with the proposed transfer.

- 8.4.7. The transferor must acknowledge and agree that they shall remain bound by the covenants contained in Section 12 below.
- 8.5. *Right of First Refusal.* If you or any of your Principals wish to accept any bona fide offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following shall apply:
- 8.5.1. You (or the Principal who proposes to sell his/her interest) shall promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.
- 8.5.2. Any material change in the terms of the offer before closing shall constitute a new offer subject to our same rights of first refusal (as set forth in this Section 8.5) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 8.5 that shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 8, with respect to a proposed transfer.
- 8.5.3. If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then we shall promptly designate an independent appraiser and you shall promptly designate another independent appraiser and those two (2) appraisers shall, in turn, promptly designate a third appraiser; and all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon both you and us. The cost of any such appraisal shall be shared equally by both parties.
- 8.5.4. If we exercise our rights under this Section 8.5, then we will have the right to set off all amounts due from you, including but not limited to one-half (1/2) of the cost of the appraisal, if any, specified in Section 8.5.3 against any payment to you.
- 8.6. *Death or Incapacity.* If you or any Principal dies or becomes incapacitated, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 8, as applicable; however, we will not impose a transfer

fee for such a transfer, so long as you reimburse us for any out-of-pocket expenses that we incur in reviewing and/or documenting a transfer under this Section 8.6).

- 8.6.1. For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: (a) for a period of thirty (30) or more consecutive days; or (b) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 8.4, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 8.6.2. If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 10.2 below.
- 8.7. *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 8 shall not constitute a waiver of any claims that we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 8.8. *No Transfers to a Non-Franchisee Party to Operate a Similar Business.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of the area developer business or Franchised Salons to a third party who will operate a similar business within the Development Area but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 8.9. *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 8, including without limitation the terms of Sections 8.4, 8.5, and 8.6 above.
- 8.10. *Securities Offers.* All materials for an offering of stock or partnership interests in you or any of your affiliates that are required by federal or state law shall be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to us for such review before their use. You agree that: (a) no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (b) our review of any offering shall be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (c) we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above. You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us, our subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, you agree to pay us a non-refundable fee of Twenty Thousand Dollars (\$20,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 8.10 commences. Any such offering shall be subject to all of the other provisions of this

Section 8, including without limitation the terms set forth in Sections 8.4, 8.5, 8.6; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

9. CONFIDENTIAL INFORMATION

- 9.1. *Confidentiality.* You will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised under this Agreement which may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement ("**Confidential Information**"). You may divulge our Confidential Information only to those of your employees as must have access to it in order to develop the Franchised Salons. Any and all information, knowledge, know-how, and techniques that we designate as confidential shall be deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any Confidential Information regarding the Development Business shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be in a form satisfactory to us and must identify us as a third-party beneficiary with the independent right to enforce the agreements.
- 9.2. *Consequences of Breach.* You acknowledge that any failure to comply with the requirements of this Section 9 will cause us irreparable injury, and you agree to pay all costs (including, without limitation, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 9.
- 9.3. *Developer-Developed Concepts.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the Term of this Agreement relating to the development and/or operation of the Salons. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

10. DEFAULT AND TERMINATION

- 10.1. *Automatic.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement shall automatically terminate without notice to you: (a) if you will become insolvent or makes a general assignment for the benefit of creditors; (b) if you file a petition in bankruptcy or such a petition is filed against and not opposed by you (to the extent permitted under the U.S. Bankruptcy Code); (c) if you are adjudicated bankrupt or insolvent (to the extent permitted under the U.S. Bankruptcy Code); (d) if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; (e) if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (f) if proceedings for a composition with creditors under any state or

federal law is instituted by or against you; (g) if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); (h) if you are dissolved; or if execution is levied against your business or property; (i) if suit to foreclose any lien or mortgage against your assets or property is instituted against you and not dismissed within thirty (30) days; and/or (j) if your real or personal property shall be sold after levy thereupon by any sheriff, marshal, or constable.

- 10.2. *With Notice.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner set forth under Section 17 below):
- 10.2.1. If you do not locate a site acceptable to us for each Franchised Salon on or before the applicable Site Approval Deadline set forth in the Development Schedule
 - 10.2.2. If you do not sign the Franchise Agreement for any Franchised Salon on or before the Franchise Agreement Execution Date set forth in Section 6.3 of this Agreement
 - 10.2.3. If you do not secure the approved site on or before the Site Acquisition Date set forth in Section 6.3 of this Agreement
 - 10.2.4. If you do not complete the development of, and open any Franchised Salon by the applicable Opening Deadline set forth in the Development Schedule;
 - 10.2.5. If you fail to comply with the covenants in Section 12.3 below, or fail to timely obtain execution of the covenants required under Section 12.8 below;
 - 10.2.6. If, contrary to the terms of Section 9 above, you disclose or divulge any Confidential Information that we provide to you;
 - 10.2.7. If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest in you to any third party in a manner that is contrary to the terms of Section 8 above;
 - 10.2.8. If an approved transfer of an interest in you is not completed within a reasonable time, as required by Sections 8.6 and 8.7 above;
 - 10.2.9. If you, the Managing Principal, or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
 - 10.2.10. If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;
 - 10.2.11. If you maintain false books or records, or submit any false reports (including, but not limited to, information provided as part of your application for this franchise) to us;
 - 10.2.12. If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

- 10.2.13. If we discover that you made a material misrepresentation or omitted a material fact in the information that you provided to us in connection with our decision to enter into this Agreement;
 - 10.2.14. You interfere with our relations with third parties and the ability to operate, and/or grant franchises under, our System;
 - 10.2.15. If, contrary to the terms of Sections 9, you disclose or divulge the contents of the Confidential Information that we provide to you;
 - 10.2.16. If you fail to comply with the covenants in Section 12 below;
 - 10.2.17. If a levy of writ of attachment or execution or any other lien is placed against you, any of the assets of the Development Business or any of your Principals or any of their assets, which is not released or bonded against within thirty (30) days; and/or
 - 10.2.18. If you or any of your Principals breach any other agreement with us or any of our affiliates, or commit an anticipatory breach of any such agreement, and fail to cure such breach within any permitted cure period.
- 10.3. With Notice and Opportunity to Cure.
- 10.3.1. Except as otherwise provided above in Sections 10.1 or 10.2 above, if you are in default of your obligations under this Agreement, we may only terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 17 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of the cure to us, all within the thirty (30) day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Any failure to comply with this Agreement, as amended or reasonably supplemented by the Manual or otherwise in writing, not covered by Sections 10.1 or 10.2 above constitutes a default.
 - 10.3.2. If you are in default under the terms of any other franchise agreement or other agreement between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 10.3.1 above.
- 10.4. *Our Rights Instead of Termination.* We have the right to elect, in lieu of terminating this Agreement, to use other remedial measures for your breach of this Agreement, which include, but are not limited to: (i) loss of the limited exclusivity, or reduction in the scope of protections, granted to you under Section 2.1 above for the Development Area; (ii) reduction in the scope of the Development Area; (iii) reduction in the number of Franchised Salons to be developed by you. If we take any of the above measures, we will retain all of the Development Fee paid by you, which is fully earned by us when paid by you and is not refundable. If we exercise this right, we will not have waived our right to, in the case of future defaults, exercise all other rights, and invoke all other provisions, that are provided in law and/or set out under this Agreement.
- 10.5. *Bankruptcy.* If, for any reason, the Agreement is not terminated pursuant to this Section 10, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona

bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will thereupon have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement.

- 10.6. *Reservation of Rights under Section 10.4.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 10.4 above, such action shall be without prejudice to our right to terminate this Agreement in accordance with Sections 10.2 or 10.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.
- 10.7. *Damages.* You will pay us all damages, costs, and expenses (including but not limited to reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

11. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you shall forthwith terminate, and:

- 11.1. *Cease Operation.* You will have no further right to develop Franchised Salons, except that you are entitled to complete and open any Franchised Salon for which a Franchise Agreement has been fully executed. You agree to never directly or indirectly represent to the public that you are a present or former area developer or franchisee of ours; and never directly or indirectly represent to the public that you had any association with the Proprietary Marks, the Products, the Services, our company, or and/or our affiliates.
- 11.2. *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "**Bubbles**" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 11.3. *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums shall include all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 11.4. *Return Confidential Information.* With the exception of materials and information furnished with respect to a Franchised Salon which is open and operating pursuant to an effective Franchise

Agreement, you agree to immediately return to us all manuals, records, and instructions containing Confidential Information (including, without limitation, any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

- 11.5. *Continuing Obligations.* All of our and your (and your Principals' and guarantors') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding the expiration or termination and until the obligations are satisfied in full or by their nature expire.
- 11.6. *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 11 or Section 12.

12. COVENANTS

- 12.1. *Full Time Efforts.* You agree that during the term of this Agreement, except as we have *otherwise* approved in writing, you (or the Managing Principal) shall devote full time, energy, and best efforts to the management and operation of the Development Business contemplated hereunder, including the establishment and operation of the Franchised Salons to be developed hereunder.
- 12.2. Understandings.
- 12.2.1. You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable specialized training and Confidential Information, including, without limitation, information regarding the site selection, operational, sales, promotional, and marketing methods and techniques of Franchisor and the System, and that you have the protected right and obligation to identify sites and develop the Development Area for the benefit of the System.; **(b)** the System and the opportunities, associations and experience we have established material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our system if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.
- 12.2.2. As used in this Section 12, the term "**Competitive Business**" is a hair salon, or any hair cutting, hair coloring, or other hair care business, or (ii) or any business, including a nail salon, day spa, or personal grooming business which derives more than twenty-five percent (25%) of its revenue from providing hair cutting, styling, coloring, or texturing services, or from the sale of related retail hair care products similar to those offered in the System (including the internet), or (iii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) or (ii) (other than a Bubbles Salon operated under a franchise agreement with us). A drug, department or grocery store selling hair care products, without offering hair care services, is not a Competitive Business.
- 12.3. *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the

expiration or termination of this Agreement, for any reason, and/or a transfer as contemplated in Section 8 above, or if litigation is necessary to enforce this Agreement) the date of entry of an order by a court of competent jurisdiction enforcing this Agreement, you, any of your Managing Principal and Principals and/or Guarantors, and any of your or your Managing Principal and Principals' and/or Guarantors' immediate family members (which will include spouses and domestic partners, and such other persons as we may specify following our review of your franchise application and proposed operations and ownership structure ("**Immediate Family Members**")), directly or indirectly, for yourself (or themselves), or through, on behalf of, or in conjunction with any person, persons, trust, partnership, corporation, limited liability company, or other entity or trust vehicle, shall not, in any manner whatsoever, do any of the following:

- 12.3.1. Divert or attempt to divert any actual or potential business or customer of any **Bubbles Salon** to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.
- 12.3.2. Be, or perform services as, a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating, or employ or seek to employ any person who is then employed by us or any other **Bubbles Salon** franchisee or developer, or otherwise directly or indirectly induce such person to leave his or her employment. In addition to any other rights and remedies available to us under this Agreement, in the event of a violation of this Section, we will have the right to require you to pay to us (or such other "**Bubbles**" developer or franchisee, as the case may be) an amount equal to two (2) times the annual salary of the person(s) involved in such violation, plus an amount equal to our costs and attorney's fees incurred in connection with such violation. You agree that these amounts are a fair and reasonable estimate of the damages that we will sustain as a result of your failure to comply with this Agreement, and that such damages are appropriately construed as liquidated damages and not as a penalty.
- 12.3.3. Own, maintain, operate, engage in, franchise or license, make loans to, lease real or personal property to, render services or give advice to, or have any direct or indirect controlling or non-controlling interest as an owner - whether of record, beneficially, or otherwise - in a Competitive Business (defined below) , wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph).
- 12.3.4. Contact, solicit, or otherwise seek business (other than for a Salon operated under a valid franchise agreement with us) from any person who is or was a customer of the Franchised Salon.
- 12.4. *Where Restrictions Apply.* During the term of this Agreement and during the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 8 above, or if litigation is necessary to enforce this Agreement) the date of entry of an order by a court of competent jurisdiction enforcing this Agreement, these restrictions shall apply only within the Development Area and also within ten (10) miles of any then-existing Bubbles Salon or any business operating under our Other Brands, except as we may otherwise approve in writing. These restrictions shall not apply to salons that you operate that we (or our affiliates) have franchised to you pursuant to a valid franchise agreement.
- 12.5. *Application to Transfers.* You further covenant and agree that, for a continuous period of two (2) years after the expiration or termination of this Agreement, for any reason whatsoever, and/or a

transfer as contemplated in Section 8 above, you, any of your Principals, and any of your or your Principals' immediate family members, directly or indirectly, for yourself (or themselves), or through, on behalf of, or in conjunction with any person, persons, trust, partnership, corporation, limited liability company, or other entity or trust vehicle, shall not, in any manner whatsoever, sell, assign, lease or transfer the location of any Franchised Salon developed pursuant to this Agreement to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at that location. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in any such location, shall include these restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at the location of any Franchised Salon for this two-year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

- 12.6. *Periods of Non-Compliance.* If, at any time during the two-year period following expiration or termination of this Agreement, and/or a transfer as contemplated in Section 8 above, or if litigation is necessary to enforce this Agreement) the date of entry of an order by a court of competent jurisdiction enforcing this Agreement, you fail to comply with your obligations under this Section 12, then that period of noncompliance will not be credited toward your satisfaction of the two-year obligation specified above.
- 12.7. *Publicly-Held Entities.* Section 12.3.3 above shall not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 12.8. *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 8, 9 and 11 above, and this Section 12 (as modified to apply to an individual), from your Principals. The covenants required by this section shall be in the form provided in **Appendix B** to this Agreement. If you do not obtain execution of a covenant required by this section and deliver to us those signed covenants, that shall constitute a default under Section 10.2.5 above.
- 12.9. *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce in writing the scope of any part of this Section 12 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 12.10. *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 12. You agree to pay all costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 12.
- 12.11. *Covenant as to Anti-Terrorism Laws.* You and your Principals agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and your Principals certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term

"**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.

- 12.12. *Defaults.* You acknowledge that your violation of the terms of this Section 12 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 12. Nothing herein, however, shall reduce or restrict our right to pursue and collect damages for your default under this Section 12, liquidated or otherwise, including all other remedies available under this Agreement

13. TAXES, PERMITS, AND INDEBTEDNESS

- 13.1. *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 13.2. *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the property of the area developer business.
- 13.3. *Compliance with Law.* You agree to comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement. To the extent that the requirements of any such laws are in conflict with the terms of this Agreement or our other instructions, you agree to: (a) comply with said laws; (b) immediately provide us with written notice describing the nature of the conflict; and (c) cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.
- 13.4. *Notice of Violations and Actions.* You agree to notify us in writing within five (5) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of your business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 14.1. *Independent Contractor Relationship.* It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that you will be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal

representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

- 14.2. *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us. You agree to take such action as may be necessary to do so.
- 14.3. *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor shall we be liable by reason of any act or omission in your conduct of business under this Agreement or for any claim or judgment arising therefrom against either party to this Agreement.
- 14.4. *Indemnification.* You agree to indemnify and hold each of the Franchisor Parties harmless against any and all Damages arising directly or indirectly from any Asserted Claim as well as from your breach of this Agreement. Your indemnity obligations shall survive the expiration or termination of this Agreement, and shall not be affected by the presence of any applicable insurance policies and coverages that we may maintain.
- 14.5. *Definitions.* As used in Section 14.4 above, the parties agree that the following terms shall have the following meanings:
- 14.5.1. "**Asserted Claim**" means any allegation, claim or complaint that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including, but not limited to, any claim associated with your operation of the area developer business under this Agreement or otherwise), or any default by you under this Agreement, notwithstanding any claim that any Franchisor Party was or may have been negligent.
- 14.5.2. "**Franchisor Parties**" means us, our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, employees, and agents.
- 14.5.3. "**Damages**" means all claims, demands, causes of action, suits, damages, liabilities, fines, penalties, assessments, judgments, losses, and expenses (including without limitation expenses, costs and lawyers' fees incurred for any indemnified party's primary defense or for enforcement of its indemnification rights).

15. **FORCE MAJEURE**

- 15.1. *Impact.* If either party to this Agreement ("**Non-Performing Party**") is prevented from performing, or is unable to perform, any of its obligations under this Agreement due to acts beyond its control, including, but not limited to, any: (i) act of God, fire, casualty, flood, hurricanes, earthquakes or other natural disasters, (ii) war, riots, terrorism, insurrection, hostilities (whether declared or not) or acts of foreign enemies, (iii) failure of public utilities, loss of electrical or other power or telecommunications equipment not attributable to a party's negligence, or destruction of production facilities (iv) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; (v) our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any Approved Products or Proprietary Items used in the operation of the Franchised Salon; (vi) pandemic, epidemic or other public health emergency, (vii) act, exercise, assertion or requirement of any Governmental and Regulatory Authority, and/or

(vii) any other similar cause as those listed herein that are beyond the reasonable control of a party ("**Force Majeure Event(s)**"), and if the Non-Performing Party has used commercially reasonable efforts to avoid the impact of the applicable Force Majeure Event and minimize its duration, then the Non-Performing Party's failure to perform its obligations will be excused and will not give rise to any liability for losses or other damages, and the time for performance of such obligations will be extended for the period of delay or inability to perform due to such Force Majeure Event. Nothing herein shall limit, prevent or otherwise excuse your payment obligations under the terms of this Agreement. Notwithstanding the foregoing, if events constituting Force Majeure cause a delay in the commencement of construction of the Franchised Salon, we will not unreasonably withhold our consent to a request by you to extend the opening deadline for the Franchised Salon, provided, however, such extension shall not exceed 180 days.

- 15.2. *Transmittal of Funds.* The inability of either party to obtain and/or remit funds shall be considered within the control of such party for the purpose of Section 15.1 above. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

16. APPROVALS AND WAIVERS

- 16.1. *Request for Approval.* Whenever this Agreement requires our prior approval or consent, agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.
- 16.2. *No Warranties or Guarantees.* You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.
- 16.3. *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the *parties* at variance with the terms of this Agreement, shall constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that shall not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement.

17. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

18. ENTIRE AGREEMENT AND AMENDMENT

- 18.1. *Entire Agreement.* This Agreement and the appendices referred to herein constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced either party to execute this Agreement. The parties acknowledge and agree that they relied only on the words *printed* in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by us of any representation made in our Franchise Disclosure Document ("**FDD**"), including the appendices and any amendments to the FDD.
- 18.2. *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

19. SEVERABILITY AND CONSTRUCTION

- 19.1. *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading "Background," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here.
- 19.2. *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.
- 19.3. *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 8 above, any rights or remedies under or by reason of this Agreement.
- 19.4. *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption shall be deemed to affect the meaning or construction of any provision hereof.
- 19.5. *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of *this* Agreement.
- 19.6. *How We Exercise Our Rights.* Although we may exercise any of our rights, carry out any of our obligations, or otherwise discharge any of our duties under this Agreement directly, through the use of employees, independent contractors, professional advisors (for example, a CPA), or otherwise, we will still remain responsible for the proper performance of our obligations to you under this Agreement.
- 19.7. *Expenses.* Each party shall bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

20. APPLICABLE LAW AND DISPUTE RESOLUTION

- 20.1. *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Florida which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Florida choice-of-law rules); provided, however, that the covenants in Section 12 of this Agreement will be interpreted and construed under the laws of the state in which the Area Developer or the Development Area is located. Nothing in this Section 20.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Florida to which this Agreement would not otherwise be subject.
- 20.2. *Choice of Venue.* Subject to Section 20.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within such state and in the judicial district in which we have our principal place of business. Any action that we may bring against you in any court, whether federal or state may be brought within the state and judicial district in which we maintain our principal place of business or within the state and judicial district in which you or your Development Area is located.
- 20.2.1. The parties agree that this Section 20.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 20.2.2. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 20.2.3. Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 20.3. *Mediation.* Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided in Section 20.5 below). Any such mediation will be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes for JAMS, the American Arbitration Association, CPR or another neutral dispute resolution organization that we may designate (or as otherwise agreed between the parties). Notwithstanding anything to the contrary, this Section 20.3 will not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.
- 20.4. *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.
- 20.5. *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 20.6. *Waiver of Jury Trials.* Each party to this agreement irrevocably waives trial by jury in any action, *proceeding*, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding.

- 20.7. *Must Bring Claims Within One Year.* Each party to this Agreement agrees that any and all claims and actions arising out of or relating to this Agreement, the parties' relationship, and/or your operation of the Area Developer Business licensed under this Agreement, brought by any party hereto against the other, shall be commenced within one year from the occurrence of the facts giving rise to such claim or action, or, it is expressly acknowledged and agreed by all parties, such claim or action shall be irrevocably barred.
- 20.8. *Waiver of Punitive Damages.* Each party to this Agreement hereby waives to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.
- 20.9. *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 12 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

21. ACKNOWLEDGMENTS

- 21.1. *Your Investigation of the Business Possibilities.* You acknowledge that you have conducted an independent investigation of the area development opportunity business franchised under this Agreement, recognize that this business venture involves business risks, and that your success will be largely dependent upon your ability (or, if you are an entity, your owners as independent businesspersons).
- 21.2. *No Warranties or Guarantees.* We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.
- 21.3. *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the appendices, and agreements relating to this Agreement (if any), with all of the blank lines filled in, with ample time within which to review with applicable advisors. You also acknowledge that you received the FDD at least fourteen (14) days before the date on which this Agreement was signed, or as otherwise provided under applicable state law.
- 21.4. *You Read the Agreement and Consulted with Advisors.* You confirm that you have read and understood the FDD, this Agreement, and the appendices to this Agreement, and that you had sufficient time and opportunity to consult with advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement. You confirm that you have no knowledge of any representations by us, or anyone purporting to act on our behalf, that are contrary to the statements made in the FDD or contrary to the terms of this Agreement.
- 21.5. *No Conflicting Obligations.* Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner

restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

- 21.6. *Your Responsibility for the Choice of the Locations for Franchised Salons.* You acknowledge that you have sole and complete responsibility for the choice of the locations for the Franchised Salons that you will develop pursuant this Agreement; that we have not (and will not be deemed to have, even by our approval of a site for a Franchised Salon) given any representation, promise, or guarantee of your success at such location; and that you will be solely responsible for your own success at the location of each Franchised Salon.
- 21.7. *Different Franchise Offerings to Others.* You acknowledge and agree that we may modify the terms *under* which we will offer area development opportunities and franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 21.8. *Success Depends on You.* You acknowledge that the success of the business venture *contemplated* under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.
- 21.9. *Personal Obligations of Principals.* The Principals acknowledge that, by signing this Agreement or the Guarantee, Indemnification, and Acknowledgment attached as **Appendix B**, they are binding themselves as individuals to all of the terms and conditions of this Agreement, including without limitation Sections 8, 9, 11, and 12.
- 21.10. *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively, "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Development Business and the development and operation of all other Salons operated by any Releasor that are franchised by any Releasee. You expressly agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise impair or affect any claims arising after the date of this Agreement.

**BUBBLES
MULTI-UNIT DEVELOPMENT AGREEMENT
APPENDIX A**

DEVELOPMENT INFORMATION

1. Development Area (Recitals): _____
2. Number of Franchised Salons To Be Developed (Section 1): _____
3. Development Schedule (Section 4.1): _____

Site No. / Franchised Salon	Site Approval Deadline	Opening Deadline	*Total Number of Salons Open as of Opening Deadline
1			
2			
3			
4			
5			

You understand and agree that your obligations under the Development Schedule are cumulative, and that by each Opening Deadline listed above, you will have open and in operation the number of Franchised Salons listed in the column “Total Number of Salons Open as of the Opening Deadline.”

4. Development Fee (Section 5.1): \$_____.

HCF USA1, LLC,

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

BUBBLES
MULTI-UNIT DEVELOPMENT AGREEMENT
APPENDIX B

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to HCF USA1, LLC (“**Franchisor**”) to execute the **HCF USA1, LLC Multi-Unit Development Agreement** between Franchisor and _____ (“**Developer**”), dated _____, 20 ____ (“**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Developer’s monetary obligations under the Agreement will be punctually paid and performed.

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

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 8, 9, 11, and 12 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “**Bubbles**” marks or system.

This Guarantee shall terminate upon the termination or expiration of all obligations of Developer under the Agreement and/or any other agreements between Developer and Franchisor, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations under this Agreement existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 20 of the Agreement (including but not limited to the waiver of jury trials, the agreement to bring claims within one year after the occurrence of the facts giving rise to such claim or action, the waiver (to the fullest extent permitted by law) of any right to or claim of any punitive or exemplary damages, and the exclusive application of Florida law.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

**BUBBLES
MULTI-UNIT DEVELOPMENT AGREEMENT
APPENDIX C**

LIST OF PRINCIPALS AND MANAGING PRINCIPAL

Name of Principal	Home Address	Interest %

Designated Managing Principal: _____

	Initials	
Developer		Franchisor

EXHIBIT F

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EXHIBIT G

FRANCHISEE COMPLIANCE CERTIFICATION

HCF USA1, LLC

Franchisee Compliance Certification

As you know, HCF USA1, LLC the (“**Franchisor**”) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a “**Bubbles**” Salon (“**Business**” or “**Salon**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

- a. _____,202__ The date of my first face-to-face meeting with any person to discuss the possible purchase of a Salon franchise.
Initials _____
- b. _____,202__ The date on which I received Franchisor’s Franchise Disclosure Document (“**FDD**”).
Initials _____
- c. _____,202__ The date when I received a fully completed copy other than signatures) of the Franchise Agreement and Addenda if any) and all other documents I later signed.
Initials _____
- d. _____,202__ The date on which I signed the Franchise Agreement.
Initials _____

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? Attach additional pages, as needed.)

4. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

6. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? Attach additional pages, as needed.)

7. Have you discussed the benefits and risks of establishing and operating a Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?

Yes _____ No _____

10. Do you understand that there are no promises, agreements, "side deals," arrangements, written or oral that are not in the Franchise Agreement.

Yes _____ No _____

11. If you have answered No to any one of questions 7-10, please provide a full explanation of each No answer in the following blank lines. Attach additional pages, as needed, and refer to them below.) If you have answered "Yes" to each of questions 7-10, please leave the following lines blank.

12. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the revenues, profits or operating costs of a Business operated by the Franchisor or its franchisees, that is contrary to the information contained in the FDD?

Yes _____ No _____

13. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Business that is contrary to the information contained in the FDD?

Yes _____ No _____

14. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the total amount of revenue the Business will generate, that is contrary to the information contained in the FDD?

Yes _____ No _____

15. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the costs you may incur in operating the Business that is contrary to or different from, the information contained in the FDD?

Yes _____ No _____

16. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Business?

Yes _____ No _____

17. Has any employee or other person speaking for the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

18. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

19. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

20. If you have answered Yes to any one of questions 12-19, please provide a full explanation of each Yes answer in the following blank lines. Attach additional pages, as needed, and refer to them below.) If you have answered No to each of questions 12-19, please leave the following lines blank.

21. Do you understand that all disputes and claims you may have against the Franchisor must be heard in the courts of **Florida** if not resolved informally or by mediation)?

Yes _____ No _____

22. Do you understand that the Franchise Agreement and the personal guarantee provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

23. Do you understand that the Franchise Agreement and the personal guarantee includes a waiver of jury trials?

Yes _____ No _____

24. Do you understand that the Franchise Agreement and the personal guarantee includes a statement that claims need to be brought within one year after they arise or they may no longer be brought after that time?

Yes _____ No _____

25. During my negotiations and evaluations leading up to my decision to buy a Salon franchise, I communicated with the following individuals employed by the Franchisor or its affiliates, or independent brokers:

Name _____ Address _____

1. _____

- 2. _____
- 3. _____
- 4. _____

[Insert additional names and addresses below if needed]

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully, accurately, and completely to each of the above questions.

FRANCHISE APPLICANT

Signed

Printed Name

_____, 201_____

Date

EXHIBIT H

STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

ADDENDUM TO
BUBBLES
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND
MULTI-UNIT DEVELOPMENT AGREEMENT FOR CERTAIN STATES
FOR HCF USA1, LLC

The following modifications are made to the HCF USA1, LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to Franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____ (“**Franchise Agreement**”).

The following states laws may supersede provisions of the Franchise Agreement, including the areas of termination and renewal of your Franchise: ARKANSAS (Stat. Section 70-807), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e *et seq.*), DELAWARE (Code, Tit. 6, Ch. 25, Sections 2551-2556), HAWAII (Rev. Stat. Section 482E-1), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. Sections 23-2-2.7 and 23-2-2.5), IOWA (Code Sections 523H.1-523H.17), MARYLAND (MD. CODE ANN., BUS. REG. §§14-201 TO 14-233 (2004 Repl. Vol.)), MICHIGAN (Stat. Section 19.854(27)), MINNESOTA (Stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (Stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY (Stat. Section 56:10-1), SOUTH DAKOTA (Codified Laws Section 37-5B), VIRGINIA (§§ 13.1-557 through 13.1-574 of the Code of Virginia), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Section 135.03).

Depending on state law, the provisions of this State-Specific Addendum (“**State Addendum**”) may apply to modify the FDD that was given to you, as well as the Franchise Agreement, and any applicable Addenda, Attachments, Appendices, or mutually agreed modifications thereto. Specifically, this State Addendum will apply to your Franchise Agreement only if the jurisdictional requirements of a listed state’s laws are met independently and without reference to this Addendum, to the Franchise Agreement, or to the FDD. If any inconsistency arises between the Franchise Agreement or FDD and this State Addendum, the terms of this State Addendum shall control. Nothing in this State Addendum, the FDD or Franchise Agreement should be interpreted or construed as providing an independent basis for Franchisee’s assertion that any particular state law or provision applies to the FDD or Franchise Agreement that would not otherwise apply due to the jurisdictional requirements of such state law or provision.

CALIFORNIA

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 FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Franchise Disclosure Document is amended by the addition of the following language:

Neither HCF USA1, LLC nor any person identified in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Action of 1934, 15 U.S.C.A.78a, *et seq.*, suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchise 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. Section 101 and following). 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 contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur in the city of our then-current headquarters (currently, Aventura, Florida). 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 Procedures Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Section 19.3 of the Franchise Agreement contains a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.

Section 27,1 of the franchise agreement requires application of the laws of the state of Florida. This provision may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your franchise agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Sections 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516.) Business and Professions Code Section 200010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

In the state of California, the highest interest rate permitted by law is ten percent (10%).

HAWAII

The following is added to the Cover Page:

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

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE

OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

The following list reflects the status of the Franchise registrations of the Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:
None.
2. This proposed registration is or will shortly be on file in the following states:
Florida, Illinois, Indiana, Maryland, and Virginia
3. States which have refused, by order or otherwise, to register these Franchises are:
None
4. States which have revoked or suspended the right to offer the Franchises are:
None
5. States in which the proposed registration of these Franchises has been withdrawn are:
None

ILLINOIS

The following information applies to franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987. Item numbers correspond to those in the main body:

Item 17.

The other conditions under which your franchise can be terminated and your rights of nonrenewal may be affected by Illinois Law, 815 Illinois Compiled Statutes 705/19 and 705/20.

Item 17(v) of this Franchise Disclosure Document is revised to include the following: “Any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of Illinois may be unenforceable as to any cause of action which otherwise is enforceable in the courts of the State of Illinois.”

Item 17(w) of the Franchise Disclosure Document is revised to provide that Illinois law governs the Franchise Agreement.

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

Sections 27.1 and 27.2 (*Choice of Law and Choice of Venue*) of the franchise agreement are revised to provide that Illinois law (including the Illinois Franchise Disclosure Act) will govern the Agreement.

Section 20.1 and 20.2 (*Choice of Law and Choice of Venue*) of the multi-unit development agreement are revised to provide that Illinois law (including the Illinois Franchise Disclosure Act) will govern the Agreement.

INDIANA

Item 13 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in the Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD OR the Franchise Agreement, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).

MARYLAND

The following applies to franchises and franchisees subject to Maryland statutes and regulations. Item numbers correspond to those in the main body:

Item 17.

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three years after we grant you a franchise.

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

Any claims under the Maryland Franchise Registration and Disclosure law may be brought in the State of Maryland.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement is revised as follows:

Sections 27.1 and 27.2 (*Choice of Law and Choice of Venue*) of the Franchise Agreement are amended to provide that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Section 27.7 of the Franchise Agreement is amended to provide that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the date of the Franchise Agreement.

Any provision in the Franchise Agreement that requires you to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law is not intended to nor will it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The general release required as a condition of renewal, assignment, or transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Multi-Unit Development Agreement is revised as follows:

Section 20.1 and 20.2 (*Choice of Law and Choice of Venue*) of the Multi-Unit Development Agreement is amended to provide that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Section 20.7 of the Multi-Unit Development Agreement is amended to provide that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the date of the Franchise Agreement.

Any provision in the Agreement that requires you to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law is not intended to nor will it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body.

The State Cover Page to the Franchise Disclosure Document and Item 17 are modified by the following language:

“Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Franchise Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. § 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.”

“These franchises have been registered under the Minnesota Franchise Act. Registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete and not misleading.”

“The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration by the franchisee, whichever occurs first, a copy of this Franchise Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Franchise Disclosure Document contains a summary only of certain material provisions of the franchise agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and franchisee.”

Item 13 of the Franchise Disclosure Document, under the heading “Trademarks” shall be supplemented by the addition of the following paragraph:

“The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the franchisor’s trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee’s use of a franchisor’s trademark except in accordance with the requirements of the franchise agreement, and as a condition of indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.”

The last paragraph of Item 17 of the Franchise Disclosure Document shall be supplemented by the addition of the following language:

“Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to

be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void. HCF USA1, LLC will comply with Minn. Stat. § 80C.14, Subds. 3-5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.”

“Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01-80C.22; provided this part shall not bar the voluntary settlement of disputes.”

The Franchise Agreement is amended as follows:

We will undertake the defense of any claim of infringement by third parties involving the BUBBLES mark, and you will cooperate with the defense in any reasonable manner prescribed by us with any direct cost of such cooperation to be borne by us.

Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Agreement, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the franchise agreement.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

No Section providing for a general release as a condition to renewal or transfer will act as a release or waiver of any liability incurred under the Minnesota Franchise Act; provided that this part shall not ban the voluntary settlement of disputes.

Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota Statutes Sections 80C.01 to 80C.22 are met independently without reference to this addendum.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. The Franchise Agreement is revised as follows:

Section 19.3 of the Franchise Agreement contains a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under New York law.

Section 27.1 of the Franchise Agreement requires the application of the laws of Florida. This provision may not be enforceable under New York law.

NORTH DAKOTA

The following applies to franchises and franchisees subject to North Dakota statutes and regulations. Item numbers correspond to those in the main body:

Item 17.

1. 17(i): If our right to purchase your assets upon termination is deemed to be your consent to liquidated damages, that provision will not be enforceable under North Dakota law.
2. 17(r): Covenants not to compete such as those mentioned in Item 17 are generally considered unenforceable in the State of North Dakota.
3. 17(u): Notwithstanding anything contained in Section 27.2 of the Franchise Agreement, any arbitration proceeding will take place in the city nearest to your Business in which the American Arbitration Association maintains an office and facility for arbitration, or at such other location as may be mutually agreed upon by the parties.
4. 17(v): Any claims under the North Dakota Franchise Investment Law may be brought in the State of North Dakota. The North Dakota Securities Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
5. You must sign a general release if you renew your franchise. This provision may be unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law.
6. 17(w): The laws of the State of North Dakota will govern the agreements between the parties.

The Franchise Agreement is revised as follows:

1. Notwithstanding anything contained in Section 27.2 of the Franchise Agreement, any arbitration proceeding must take place in the city nearest to your Business in which the American Arbitration Association maintains an office and facility for arbitration, or at such other location as may be mutually agreed upon by the parties.
2. Covenants not to compete such as those mentioned in Section 19.3 of the Franchise Agreement are generally considered unenforceable in the State of North.
3. Section 27.2 of the Franchise Agreement are revised to include the following information:

The North Dakota Securities Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Section 27.6 is hereby deleted from the Franchise Agreement, as a waiver of all rights to a trial by jury is considered unenforceable in the State of North Dakota.

5. Section 27.8 is hereby deleted from the Franchise Agreement, as a waiver of punitive damages is considered unenforceable in the State of North Dakota.

6. Pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, a franchisee may not be required to sign a general release as a condition of renewal under Section 4.B.viii of the Franchise Agreement.

The Multi-Unit Development Agreement is revised as follows:

1. Notwithstanding anything contained in Section 20.2 of the Multi-Unit Development Agreement, any arbitration proceeding must take place in the city nearest to your Business in which the American Arbitration Association maintains an office and facility for arbitration, or at such other location as may be mutually agreed upon by the parties.

2. Section 20.2 of the Multi-Unit Development Agreement is revised to include the following information:

The North Dakota Securities Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Further, North Dakota law will govern the Agreement.

4. Section 20.6 is hereby deleted from the Franchise Agreement, as a waiver of all rights to a trial by jury is considered unenforceable in the State of North Dakota.

5. Section 20.8 is hereby deleted from the Franchise Agreement, as a waiver of punitive damages is considered unenforceable in the State of North Dakota.

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials _____ Date _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if

you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to HCF USA1, LLC at 2875 NE 191 Street, Suite 905 Aventura, Florida 33180, not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: _____

By: _____

Print Name: _____

Its: _____

RHODE ISLAND

The following information applies to franchises and franchisees subject to the Rhode Island Franchise Investment Act. Item numbers correspond to those in the main body:

Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

The Franchise Agreement is amended consistent with Section 19-28.1-14 of the Rhode Island Franchise Investment Act, which provides as follows:

“A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

VIRGINIA

The following information applies to franchises and franchisees subject to the Virginia retail Franchising Act. Item numbers correspond to those in the main body:

Item 17.

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

Further, any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

WASHINGTON

Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, Multi-Unit Agreement, Franchisee Compliance Certificate, and Related Agreements

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

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

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

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington. The undersigned does hereby acknowledge receipt of this addendum.

Specifically:

1. Item 17 of the Franchise Disclosure Document is hereby amended by the addition of the following language:

Washington law RCW 19.100.180(2)(i) and (j) provides certain rights and remedies to franchisees in connection with termination or renewal of a franchise. More specifically, Washington law provides that it is unlawful for a franchisor to:

- (i) Refuse to renew a franchise without fairly compensating the franchisee for the fair market value, at the time of expiration of the franchise, of the franchisee's inventory, supplies, equipment, and furnishings purchased from the franchisor, and good will, exclusive of personalized materials which have no value to the franchisor, and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the franchise business; provided, that compensation need not be made to the franchisee for good will if (i) the franchisee has been given one year's notice of nonrenewal and (ii) the franchisor agrees in writing not to enforce any covenant which restrains the franchisee from competing with the franchisor, provided further, that the franchisor may offset against amounts owed to the franchisee under this subsection any amounts owed by the franchisee to the franchisor.

- (j) Terminate the franchise prior to the expiration of its term except for good cause. Good cause shall include, without limitation, the failure of the franchisee to comply with lawful material provisions of the franchise or other agreement between the franchisor and the franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days to cure such default, or if such default cannot reasonably be cured within thirty days the failure of the franchisee to initiate within thirty days substantial and continuing action to cure such default; provided, that after three willful and material breaches of the same term of the franchise occurring within a twelve-month period, for which the franchisee has been given notice and an opportunity to cure as provided in this subsection, the franchisor may terminate the agreement upon any subsequent willful and material breach of the same term within the twelve-month period without providing notice or opportunity to cure; provided further, that the franchisor may terminate the franchise without giving prior notice or opportunity to cure a default if the franchise: (i) it adjudicated a bankrupt or insolvent; (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (iii) voluntarily abandons the franchise business; or (iv) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchise business. Upon termination for good cause, the franchisor shall purchase from the franchisee at a fair market value at the time of termination, the franchisee's inventory and supplies, exclusive of (i) personalized materials which have no value to the franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii) if the franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from the franchisor or on his express requirement; provided, that the franchisor may offset against amounts owed to the franchisee under this subsection any amounts owed by the franchisee to the franchisor.

2. Washington law RCW 19.100.180(2)(g) provides that it is unlawful to require the franchisee to assent to a release, assignment, violation or waiver which would relieve the franchisor from any liability imposed by the Washington Franchise Investment Protection Act.

The Franchise Agreement is revised as follows:

1. Section 9 of the Franchise Agreement is amended by the addition of the following language:

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

WISCONSIN

The following information applies to franchises and franchisees subject to the Wisconsin Fair Dealership Law. Item numbers correspond to those in the main body:

Item 17.

1. For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

2. For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

The Franchise Agreement is revised as follows:

1. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, Section 17.2 is extended as follows:

We will provide you at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between you and us inconsistent with the Law.

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Disclosure Document.

- | | | | | | |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii | <input type="checkbox"/> | Minnesota | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois | <input type="checkbox"/> | New York | <input type="checkbox"/> | Virginia |
| <input type="checkbox"/> | Indiana | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington |
| <input type="checkbox"/> | Maryland | <input type="checkbox"/> | Ohio | <input type="checkbox"/> | Wisconsin |

Dated: _____

FRANCHISOR:

HCF USA1, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT I
STATE EFFECTIVE DATES
AND RECEIPTS

STATE EFFECTIVE DATES

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

This 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:

STATES	EFFECTIVE DATE
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	
All Other States	

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.

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If HCF USA1, LLC offers you a franchise, it must provide this Franchise 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.

Under Iowa or Rhode Island law, if applicable, HCF USA1, LLC must provide this Franchise Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires HCF USA1, LLC to give you this Franchise Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If HCF USA1, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in **Exhibit A**.

The franchisor is HCF USA1, LLC located at 2875 NE 191 Street, Suite 905 Aventura, Florida 33180 (tel. (305) 709-3545).

Issuance date is January 4, 2022.

The franchise seller is Mr. Seth Gittlitz of HCF USA1, LLC located at 2875 NE 191 Street, Suite 905 Aventura, Florida 33180 (tel. (305) 709-3545).

Any additional individual franchise sellers involved in offering the franchise are: _____

HCF USA1, LLC authorizes the respective state agencies identified on **Exhibit A** to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document issued January 4, 2022, which included the following exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B List of Current and Former Franchisee and Company/Affiliate-owned Units
- Exhibit C Financial Statements
- Exhibit D Franchise Agreement and Attachments
- Exhibit E Multi-Unit Development Agreement and Appendices
- Exhibit F Table of Contents for Manual
- Exhibit G Franchise Compliance Certification
- Exhibit H State-specific Addenda to Franchise Disclosure Document
- Exhibit I State Effective Dates and Receipts

Date Signature Printed Name

Date Signature Printed Name

RECEIPT
(Retain This Copy)

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Date Signature Printed Name

Date Signature Printed Name

PLEASE RETAIN THIS COPY FOR YOUR RECORDS