

## FRANCHISE DISCLOSURE DOCUMENT

### Image Studios 360 Franchise, LLC

A Utah Limited Liability Company

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# IMAGE STUDIOS®

Image Studios 360 Franchise, LLC (“Image Studios”) offers franchises that license individual turn-key salon studios and provide Image Pro services to independent salon professionals under the trade name “Image Studios” in a salon mall setting using our innovative build-out system.

The total investment necessary to begin operation of an IMAGE Studios salon business is **\$579,450 to \$1,320,250**. This includes \$61,250 that must be paid to the Franchisor or its Affiliate(s). For a detailed explanation of your total investment, you should consult Items 5, 6 and 7 of this Disclosure Document.

The total investment necessary to begin operation under an IMAGE Studios Development Agreement is between **\$609,200 to \$1,515,500**. This includes \$91,000 to \$256,500 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact IMAGE Studios, at 1370 South 2100 East, Salt Lake City, UT 84108 and (888) 785-7858.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: June 4, 2021

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

- 1. Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration or litigation in Salt Lake City, Utah. Out of state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may cost you more to mediate, arbitrate or litigate in Utah than in your home state.
- 2. Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
- 3. Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

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

To simplify the language in this Franchise Disclosure Document, “we”, “us”, “IMAGE Studios”, or “Franchisor” means Image Studios 360 Franchise, LLC. “You” means the person or entity that buys the franchise (the “Franchisee”). If an entity is the Franchisee, “you” includes the Franchisee’s individual owners.

### The Franchisor, any Parents, Predecessors and Affiliates

Image Studios 360 Franchise, LLC is a Utah limited liability company that was formed on September 11, 2014. IMAGE Studios does business under the name “IMAGE Studios”. Our principal business address is 1370 South 2100 East ~~551 West 400 North, Suite 101~~, Salt Lake City, Utah 84108~~16~~. Our agents for services of process in the states where we do business or plan on doing business are listed on Exhibit A to this Disclosure Document. We have offered franchises since April 2015. We have never offered franchises in any other line of business. IMAGE Studios is not engaged in any other type of business activity.

Image Studios 360 Franchise, LLC has no parent companies or predecessors.

Our affiliate IS360 TM, LLC is a Utah limited liability company that was formed on September 11, 2014. It owns the IMAGE Studios names and marks and has licensed the use of these names and marks to us. Its principal business address is 2865 S State St, South Salt Lake, Utah 84115.

Our affiliate Cosmonauts, LLC is a Utah limited liability company that was formed on December 22, 2020. It owns the IMAGE Studios at 1370 South 2100 East, Salt Lake City, Utah 84108 that plans to open in August 2020.

IMAGE Studios has no other Affiliates currently in operation. We have not operated IMAGE Studios salons which are similar to the franchise being offered to you.

### Description of the Franchise

We offer franchises for IMAGE Studios Salons in accordance with the terms of our IMAGE Studios Franchise Agreement (the “Franchise Agreement”). A copy of the most recent Franchise Agreement is attached to this Disclosure Document as Exhibit C. If you enter into an IMAGE Studios Franchise Agreement, you will be trained and authorized to operate an IMAGE Studios Salon using the Marks according to our system standards, featuring individual turn-key salon studios and our “IMAGE Pro Services” program in a salon mall setting using our innovative build-out system and methods of operation, marketing and promotion (collectively the “System”). We reserve the right to change or otherwise modify the System and add, modify, or delete any of our designs, operational processes, or services at any time ~~at~~ our sole discretion. You will operate your salon and offer, sell, and provide the IMAGE Pro Services at, and only at, a location approved by us, and you will not receive any guaranteed territory outside of the protected radius surrounding your salon, or any exclusive rights for operation of an IMAGE Studios Salon at any other location or within any other territory.

Throughout this document, your franchise business will also be referred to as your “Salon” or your “Location.” As a franchisee, you will typically purchase or lease existing building space ranging from 2,700~~3,500~~ to 8,000 square feet and convert or remodel the purchased or leased space into individual size salon studios that are typically 10 feet by 10 feet (or larger) in size. These individual studios are then leased to independent salon professionals. As a franchisee, you will provide active salon management and facilities maintenance services. You also actively offer and sell various optional services products to salon professionals at the Location under our IMAGE Pro Services program, such as cleaning and maintenance inside specific studios, marketing/branding services, and social event organizing, and online salon directory,

wireless internet, telecommunications, and other technology products and applications. Each salon professional is an independent business owner and schedules their own appointments and operates their individual salons. They occupy a studio at the Location and you sell and provide to them the IMAGE Pro Services and related products and technology. The salon professionals are required to obtain their own insurance, as well as business, health department, and other professional licenses from relevant state professional licensing boards, where required and depending on the types of services they offer.

We also offer, to qualified applicants, the opportunity to develop additional units by purchasing the right to develop two or more additional franchises at the time you sign your first Franchise Agreement. You will be required to sign a Development Agreement (“DA”) at the same time you execute the Initial Franchise Agreement and you will be required to develop these additional units within a fixed time period. (See Exhibit D of the DA). You must sign our then-current franchise agreement for each additional unit opened under the terms of the DA. These franchise agreements may not be the same as the initial Franchise Agreement that you will sign.

We also may offer franchises for IMAGE Studios Salons in foreign countries. We anticipate that master franchise relationships will be established and that the financial terms and the nature and scope of the master franchise relationship will be negotiated.

### **The Market and Competition**

The services offered by an IMAGE Studios franchise are intended primarily for salon professions, such as hair stylists, nail techs, massage therapists, estheticians, and other professionals in the beauty and wellness industry. You will be competing with other businesses including franchised operations, national chains, and independently owned companies offering similar services. The market for a salon mall business is well-established and highly competitive, with existing franchise systems being our largest competitors. You will also face other normal business risks that could have an adverse effect on your Franchise. These may include industry developments, such as pricing policies of competitors, and supply and demand for technology and salon studio space. The uncertainty regarding the COVID-19 pandemic and the state and local government response in a given location may directly affect your IMAGE Studios franchise.

As a franchisee, you are subject to general business, employment and other laws and regulations. You should consult with your attorney and local, state and federal government agencies before buying your IMAGE Studios Franchise to determine all legal requirements and consider their effects on you and cost of compliance. It is solely your responsibility, to investigate, satisfy and remain in compliance, throughout the term(s) of your Franchise Agreement(s), with all local, state and federal laws, since they vary from place to place and can change over time.

The federal government and many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your business, such as the Americans With Disabilities Act, Federal Wage and Hourly Laws and the Occupational Safety and Health Act. For example, some states may also have real estate rental laws that govern the rental of space in your Salon. During the COVID-19 pandemic, certain states and localities have enacted laws, regulations or mandates that directly affected some of our IMAGE Studios franchises, and in some instances, required or recommended the closure, disruption or other operational limitations or requirements; these include fluctuating and varied state and local rules such as shelter-in-place, business and essential services opening and operations restrictions, social distancing, masking, sanitation, and safety requirements and precautions. Your Salon must also comply with various health standards and regulations. You must also comply with laws that apply generally to all businesses. You should investigate these laws thoroughly.

## ITEM 2. BUSINESS EXPERIENCE

### **Founder and President: Jason Olsen**

Mr. Olsen has been our President in Salt Lake City, Utah since September 2014. He serves as Co-Owner and President of Prestman Auto in Salt Lake City, Utah since June 2004.

### **Founder and Vice-President: Shaun Olsen**

Mr. Olsen has been our Vice-President in Salt Lake City, Utah since September 2014. Since June 2004, Mr. Olsen has been the Co-Owner and Vice President of Prestman Auto in Salt Lake City, Utah.

### **Chief Operations Officer: Mark (Taylor) Lamont**

Mr. Lamont has been our Chief Operations Officer in Salt Lake City, Utah since January 2020. He served as our Vice President of Education in Salt Lake City, Utah from July 2019 to December 2019. From January to July 2019, he was Vice President of Education for Cortiva Institute in Salt Lake City, Utah. From November 2014 to January 2019, he was Senior Director of Education for Cortiva Institute in Salt Lake City, Utah.

### **Director of Franchise Development~~Director~~: Brandon Campbell**

Mr. Campbell has been our Director of Franchise Development in Salt Lake City, Utah since December 2018. He previously served in this same role for us in Salt Lake City from June 2017 to January 2018. From August 2018 to March 2019, he was director of strategic partnerships for Recruiting in Motion in Toronto, Canada. From January 2018 to August 2018, Mr. Campbell served as franchise development manager for ComForCare in Michigan. From June 2015 to August 2017, he was senior brand ambassador for Seva Beauty in Puerto Rico.

### **Director of Marketing~~Manager~~: Elizabeth (Lizzie) Webb**

Ms. Webb has been our Director of Marketing in Salt Lake City, Utah since January 2021. She was previously our Marketing Manager in Salt Lake City, Utah from ~~since~~ January 2020 to December 2020. She served as campaign director for the Conservative & Unionist Party in London, UK~~England~~ from August 2013 to June 2019.

### **Director of Real Estate: Marcia Carter**

Ms. Carter has been our Director of Real Estate in Salt Lake City, Utah since March 2021. Since October 2019 to the present, she is owner of Marcia Carter Consulting, LLC in Apollo Beach, Florida, through which she served as an independent contractor Project Manager for us from October 2019 to March 2021. From October 2017 to October 2019, she was Real Estate & Construction manager for Steiner Leisure LTD in Coral Gables, Florida. From June 2012 to October 2017, she served as Real Estate & Construction Manager for Ideal Image in Tampa Bay, Florida.

**Corporate Coordinator: Delaney Gagliano**

Ms. Gagliano has been our Corporate Coordinator in Salt Lake City, Utah since March 2021. She serves as a Waitress for The Old Spaghetti Factory in Salt Lake City, Utah since October 2020 to the present. From January 2020 to October 2020, she served as a Waitress at The Ramen Bar in Salt Lake City. From November 2019 to March 2020, she worked as a Reservations Specialist for Skis On the Run in Park City, Utah. From May 2019 to December 2019, she worked as a Technical Writer for Hycomp in Logan, Utah. From August 2018 to May 2019, she served as an Undergraduate Teaching Assistant for Utah State University in Logan, Utah. From December 2018 to May 2019, she also worked as an Engineering Writing Center Tutor for Utah State University in Logan, Utah. From May 2017 to July 2017 she worked as a Waitress for Olive Garden in Downers Grove, Illinois. From May 2017 to August 2017, she also worked as a Delivery Driver for Giordano's in Downers Grove, Illinois. From August 2017 to May 2019, she worked as Assistant Cataloger for Utah State University in Logan, Utah.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

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

**ITEM 5. INITIAL FEES**

**Franchise Fee**

The Initial Franchise Fee is \$~~54,750~~49,750 and is due and payable when you sign the Franchise Agreement (the "Franchise Fee"). The Franchise Fee is payment to us for the right to use the IMAGE Studios Marks and System in the development and operation of your Salon. The Franchise Fee also covers the cost of certain services that we and/or our Affiliates may provide to you before your location opens, such as training, support and marketing materials. This Franchise Fee is fully earned upon payment and is non-refundable.

If you currently own and operate an existing IMAGE Studios franchisee and you are now purchasing the rights to open and operate additional franchise(s), you may be eligible to pay a reduced Franchise Fee. The amount of the reduced Franchise Fee is determined as follows: if you currently own and operate a single IMAGE Studios salon, you can purchase additional units at \$35,000 each; if you currently own and operate between three and five IMAGE Studios salons, you can purchase at \$25,000 each; if you currently own and operate six or more IMAGE Studios salons, you can purchase at \$20,000 each.

To be eligible to purchase additional franchises and to pay the reduced Franchise Fee as outlined above, you and your affiliates must be fully compliant under all agreements with us and in good standing, you must qualify financially to open the additional franchised salon(s), and you must pay to us the entire reduced Franchise Fee up front for each franchise when you sign the relevant Franchise Agreement. If you do qualify and commit to purchase additional franchise(s), you will be required to sign our then-current Franchise Agreement for each franchise purchased.

## Site Development Administration Fee

In addition to the Initial Franchise Fee paid to us, you must pay us a “Site Development Administration Fee” of \$6,500 for each Unit that you purchase. This fee offsets our costs in supporting your efforts to find and develop a permanent site, including initial site setup in all systems and software and ongoing support through opening. You will pay the Site Development Administration Fee at the same time as the Initial Franchise Fee for your first location. The Site Development Administration Fees for additional locations are paid at signing your commercial lease on subsequent properties. The Site Development Administration Fee is non-refundable, and is fully earned by us upon execution of the franchise agreement.

## Additional Time To Open Fee

Generally, you must lease, sublease or purchase the premises for your Salon within 180 days after signing the Franchise Agreement and open your Salon for business within 300 days after signing the Franchise Agreement. You have the one-time option to extend the deadlines for up to an additional 200 days on payment of a \$1,900 “Additional Time to Open Fee.” This Additional Time to Open Fee is non-refundable. Upon payment of the Additional Time to Open Fee, the deadline for the lease, sublease, or purchase of the premises for the Salon and for the opening of the Salon automatically extend by 200 days. If either of the new, extended deadlines is not met, then we may terminate the Franchise Agreement and retain all fees paid.

## Development Agreement

Although our franchises are site-specific and we do not automatically or by default grant territories for development, at our discretion we may offer to qualified candidates the rights to open and operate up to six salons within a certain territory and within a certain timeframe by signing the Development Agreement (“DA”). When you sign the DA, you must pay a development fee (the “Development Fee”) based on the number of IMAGE Studios Salons to be developed. The Development Fee for the right to develop up to two IMAGE Studios Salons is ~~\$8479,500~~. The Development Fee for the right to develop up to three IMAGE Studios Salons is \$99,500. The Development for the right to develop up to ~~tensix~~ IMAGE Studios salons is ~~\$250,000~~175,000.

To open salons under the DA, you will still be required to sign the then-current Franchise Agreement for each salon, but the Development Fee is paid in lieu of the Franchise Fee, so you will not be required to pay the Franchise Fee. All other fees will apply. The first Franchise Agreement is signed concurrently with the DA. The DA contains a development schedule that outlines the time frames in which you must open the IMAGE Studios salons, which is typically one salon per year; so a 3-salon Development Agreement would require three salons to be developed, one per year, over a three-year period; and a 6-salon Development Agreement would require six salons to be developed, one per year, over a six-year period. In other words, you will agree to open the first unit within 12 months of signing the Franchise Agreement, the second unit within 24 months, the third unit within 36 months, etc. The development schedule of IMAGE Studios salons under the DA may vary depending upon a variety of factors, including: (1) existing population and anticipated population growth within the Development Area; (2) competition within the Development Area; (3) the availability of acceptable locations; (4) the number of IMAGE Studios salons we estimate can be developed within the Development Area; and (5) the number of then-operating IMAGE Studios salons within the Development Area.

The DA and your first Franchise Agreement will be signed simultaneously, and you must pay the Development Fee for the total number of salons to be developed. You will pay this fee in a lump sum, which is fully earned upon payment. The Development Fee is not refundable.

In 2020~~19~~, single unit initial Franchise Fees paid ~~were ranged from \$39,500 to~~ \$49,750, and Development Fees paid ranged from \$79,500 to \$250,000.

**ITEM 6. OTHER FEES**

Fee	Amount	Due Date	Remarks (see <u>Note 1</u> )
Royalty	5.5% of gross revenue, or \$250 per week minimum, whichever is greater.	Due every week on Friday, which is the same day that you process EFT payment collection from your salon professionals. We do not charge royalties until the second month of your business being open, or 12 months after signing the franchise agreement, whichever occurs first.	“Gross Revenues” is defined in <u>Note 2</u> . The minimum royalty will adjust for inflation every year on the anniversary of your franchise agreement (based on NCPI published by BLS). Payment made by automatic withdrawal. See <u>Note 3</u> .
Brand Development Fund	Up to 2% of gross revenue	Same as Royalty Fee.	We require that you contribute to the Brand Development Fund and may change the contribution rate (up to 2% of your Gross Revenues) at any time and from time to time with 30 days’ prior notice. We will assess the brand development and promotion needs and associated costs from time to time to determine the contribution rate. “Gross Revenues” is defined in <u>Note 2</u> . All franchises, including our company owned locations will contribute to this fund at the same rate.

Fee	Amount	Due Date	Remarks (see <a href="#">Note 1</a> )
Local Marketing Requirement	\$2,000 each month, minimum until you reach greater than 70% occupancy. The minimum will reduce to \$400 per month after you reach greater than 70% occupancy.	Expenditure by Franchisee	Franchisees will be required to actively network, recruit, and market their available salon studios, including social media campaigns <u>and paid social media advertising</u> .
Grand Opening Event	\$1,500 minimum	As incurred	Event to be held once your salon reaches 65% occupancy or within the first eight (8) months of opening for business, whichever occurs first.
In-Person Assistance at Your Location	\$500/day + travel expenses.	As incurred	Charges are only for additional training and/or support at your location. Your initial training is included in your Franchise Fee.
Site Selection Cost	\$500/day + travel expenses	As incurred	Franchisor may send a representative to travel to any proposed location for the IMAGE Studios business and provide an on-site evaluation of the premises.
Lease Review	\$1,000 - \$3,000	As incurred	You must have an attorney review your commercial lease agreement and make recommendations on lease language and provisions.
Preliminary Test Fit Floor Plan(s)	<del>\$350</del> 250 per test fit	Before your architect begins work on your plans.	You pay this amount directly to our designated architect. This fee is for initial test fit plans for your proposed location. Your architect will use the preliminary test fit floor plan as the basis for your space.

Fee	Amount	Due Date	Remarks (see <u>Note 1</u> )
Initial Training for Additional People	\$250 per person, <u>per module</u> to attend our online training course	As incurred	Training for two (2) people is included in your initial franchise fee; additional person(s) will be charged accordingly.
Accounting Software Fee	\$99 activation fee per location plus \$75 per month, per location	The activation fee is billed up front. The monthly fee is billed by us.	This fee is for your Property Management Software that will contain your salon professional and tenant database, accounting system, and payment processing.
EFT Payment Processing Fee	\$1.00 per salon professional tenant, per week, <u>for each transaction time you collect payment.</u>	Every Friday for each salon professional <del>and</del> tenant at your location(s)	This EFT payment processing fee is collected through our accounting system and is paid by your salon professionals <del>and</del> tenants and collected <u>in addition to on top of</u> their weekly payments and rent, which is deposited into your account. We will withdraw this fee <u>via ACH</u> from your bank account each week after your payment collection is completed.
Periodic Regional or National Conference	\$500 - \$2,500 per person, which includes travel, accommodations, and conference attendance fee <u>(\$500 per attendee).</u>  <u>We will charge a \$1,000 fee if you do not attend.</u>	As incurred	We may hold <u>regional or systemwide</u> conferences, <del>to discuss ongoing changes in the industry, operational techniques, best practices, etc.</del> <u>You (or your designated representative we approve), must attend these conferences at our request. -</u>
Technology Fee	The then current fee (we do not currently charge for this)	Same as Royalty Fee	We reserve the right to charge you a monthly fee for custom or proprietary software that we developed ourselves or through third party partnerships or agreement.

Fee	Amount	Due Date	Remarks (see <u>Note 1</u> )
Audit or Inspection Fee	Then-current charge, estimated at \$125 - \$175/hour	Due on demand	You must pay the cost of an audit if your books are audited and there is a discrepancy of 3% or more. Any discrepancies above 3% are billed at 10% interest on underpayment.
Review Fee	\$250 per request	Due on demand	Payable if you propose to offer or sell any service or product that is not then approved by us or to request a different vendor or supplier other than what we designate. This fee does not guarantee approval and is non-refundable.
Insurance	Then-current charges, estimated at \$500 - \$2,500 annually, per location.	Due on demand	You must purchase the required insurance coverage contained in Item 8 of this agreement. If you do not purchase and maintain the required insurance, we may purchase it on your behalf and you must reimburse us for the cost of insurance plus 15% of the premium as an administrative cost for obtaining insurance for your salon.
Franchise Renewal	Then-current renewal fee, currently \$5,000 per renewal, per license.	Due 45 days prior to renewal date.	Initial franchise term is 10 years. The renewal term is based on our then-current franchise agreement.
Transfer Fee for Standard Franchise Agreement	\$5,000 plus any broker fees associated with the transfer or sale, per location.	\$1,000 non-refundable deposit due at the time of application. The remaining balance is due at the time of approval of the transfer	This is payable before you sell your franchise. (see Note 4)

Fee	Amount	Due Date	Remarks (see <u>Note 1</u> )
Transfer Fee for Development Agreement	\$5,000 plus any broker fees associated with the transfer or sale.	\$1,000 non-refundable deposit due at the time of application. The remaining balance is due at the time of approval of the transfer.	This fee is payable for <i>each</i> salon for which a franchise agreement has been signed under the Development Agreement.
Service Fees	Up to 3.75% for payments made by credit card; \$50 for failed funds transfer/insufficient funds	Upon demand	Any amounts owed due to insufficient funds will also be subject to late fees and accrued interest outlined below and may be grounds for termination of the Franchise Agreement.  Subject to applicable law.
Late Fees	\$100	On demand	There is a late fee on any royalty, Brand Development Fund payments, and any other payments that are 7 days or more late. This fee is charged per occurrence.
Required Reporting Late Fees	\$50  <u>There is an additional fee of \$100 per week while reporting remains incomplete.</u>	On demand	Payable to us if you fail to submit any required reports or financial statement on the due date outlined in your franchise agreement. <u>We will pull these late fees via ACH from your bank account as outlined in the Manuals (currently on Fridays).</u>
Interest Expense	18%	On demand	Interest expense that accrues on all late payments in addition to the \$100 late fee.
Insufficient Funds	\$40	On demand	Due if any payment, by electronic transfer or check, is returned due to insufficient funds.
Attorneys' Fees	Then-current fee, currently estimated at \$300-\$400/hour	On demand	Costs we incur for attorneys' fees if you do not comply with the Franchise Agreement

Fee	Amount	Due Date	Remarks (see <u>Note 1</u> )
Indemnification	Actual Costs	On demand	You must reimburse us if we are held liable for any <u>and all claims</u> arising from <u>or related to your salon's construction or design or your operation operating</u> of the business.
<u>Operating Software Email</u> Account Fee	Then-current fee, currently, \$72/year per email account	Billed annually	Covers the cost to administer each <u>email@imagestudios360.com</u> account assigned to you <u>within our operating software program</u> .
Music, Media, and IMAGE scent License Fee	Then-current fee, currently \$125/month per location.	As incurred	You must pay your pro-rata share of any licensing or streaming fees for music, media, and IMAGE scent for your salon. Payable to third party.
Customer Relationship Management software	Then-current fee, currently, \$35/month per location.	Billed monthly	Payable to us.
IMAGE Smartphone App	Then-current fee, currently \$150/month per location	Billed monthly	Payable to us. This is <del>an optional</del> <u>the IMAGE</u> smartphone application to allow tenants <del>and salon professionals</del> to use the IMAGE app at your location. <u>The application is optional for tenants.</u>
Professional Video & Photography Services	Then-current fee, currently \$1,200 - \$1,800	When you open for business	Payable to third party vendor for on-site professional video and photography at your location for your ads and our website.

Fee	Amount	Due Date	Remarks (see <a href="#">Note 1</a> )
Inbound Call Services	Then-current fee, currently estimated at \$250/month	On demand	We, an affiliate or a third party we designate may provide a call center to assist in inbound inquiries, appointment setting, and leasing assistance. If required by us, you must participate in the call center and you agree to pay pro-rata share of all reasonable fees imposed by the provider for those services.
Salon Directory Software	Then-current fee, currently estimated at \$50/month	Billed monthly	Payable to us or third-party vendor for your in-store salon directory TV software.

***Explanatory Notes:***

You must pay these fees to us except as explained below. If we do not actually receive your payments on the due date, they will be deemed delinquent. During the course of developing and operating your salon, you also must purchase various items from designated and approved suppliers or in accordance with our standards and specifications. See **Item 8** of this Disclosure Document for an explanation of these requirements.

***Specific Notes:***

*Note 1. Except as noted, all fees listed in the above table are payable to IMAGE Studios and are non-refundable and uniformly imposed and collected. Costs of products and supplies are subject to change periodically, except as otherwise provided in the Franchise Agreement.*

*Note 2. “Gross Revenues” means the total of all receipts derived from gross rental receipts and other revenue, whether cash, credit, checks, services, property, or other means of exchange evidences the receipts. Gross Revenue excludes only sales tax receipts that you must by law collect from customers and that you actually pay to the government, promotional or discount coupons to the extent that Franchisee realizes no revenue, and employee receipt of services, if free, or any portion not paid for by an employee.*

*Note 3. You must pay all Royalties, Brand Development Fund fees, and other amounts owed to us or our Affiliates by pre-authorized electronic bank transfer from your general account. You must sign and complete the Authorization Agreement form attached to the Franchise Agreement as Exhibit F or any other documentation we require to permit the electronic transfer. The pre-authorized electronic bank transfer requirements are further described in Section 6 of the Franchise Agreement and Exhibit F to the Franchise Agreement. These fees are currently payable each week on or before the **5:00pm MST on the same day that you process your EFT payments for your salon professional and tenants**. We expressly reserve the right in the Franchise Agreement to change the payment frequency and due dates of these fees. As described in the **Explanatory Notes** above, these fees must be paid to us at our request by pre-authorized electronic bank transfer from your general operating account.*

*Note 4. No Transfer Fee is required if you transfer your Franchise to a corporation in which you are the majority stockholder, or if you transfer the Franchise to your child, parent, sibling, or spouse.*

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**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT  
SINGLE FRANCHISE AGREEMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (1)	\$ <u>54,750</u>	Lump Sum	When signing Franchise Agreement	IMAGE Studios
Site Development Administration Fee	\$6,500	Lump Sum	When signing Franchise Agreement	IMAGE Studios
Business Formation	\$1,000 - \$3,000	As agreed	As incurred	Third Parties
Rent/Real Estate – first month’s rent & security deposit(2)	\$20,000 - \$45,000	As agreed	As incurred	Landlord/Lessor
Initial Floor Plan Layout	\$ <u>350</u> - \$1,000	As agreed	Upon completion of floor plan layout	Designated architect
Utility Deposits(4)	\$0 - \$3,500	As agreed	As agreed	Third Parties
Architectural Plans & Engineering	\$ <u>15,150</u> - \$30,000	As agreed	As incurred	Approved architects
Licensing & Permits	\$3,500 - \$ <u>23,000</u>	As agreed	As incurred	Local municipalities
Leasehold Improvements(3)	\$322,000 - \$ <u>880,000</u>	As agreed	As incurred	Contractors and outside suppliers
Furniture, Fixtures & Equipment	\$ <u>110,000</u> - \$189,000	As determined by vendors	As incurred	Approved suppliers
Initial Training Expenses	\$0 - \$ <u>2,500</u>	As agreed	As incurred	Airlines, restaurants, hotels, etc.
Computer Equipment(7)	\$1,500 - \$3,000	As agreed	As incurred	Outside suppliers for equipment; third party software provider
Insurance (annual basis)	\$1,200 - \$3,500	As agreed	As determined by insurance company	Insurance Company/Agent

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Additional funds for 3 months(8)	\$35,000 - \$50,000	As agreed	As incurred	Suppliers, third parties, etc.
Miscellaneous opening costs and Grand Opening	\$1,500 - \$5,000	As agreed	As incurred	Suppliers
Advertising & Marketing for first 3 months(6)	\$6,000 - \$18,000	As agreed	As incurred	Third parties
Operating Supplies(5)	\$1,000 - \$2,500	As agreed	As incurred	Third parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT(9)</b>	<b>\$<u>579,450</u>-<u>\$1,320,250</u></b>			

\*None of the fees paid to us in this table are refundable. Whether such fees that are paid to third parties are refundable would depend upon their policies.

(1) IMAGE Studios will approve or decline your application within 45 days of our receipt of your completed application, or upon awarding approval after completion of Meet The Team Day, whichever comes later. Refer to note in Item 5. Except as noted in Item 5 above, we will not refund the Initial Franchise Fee(s) under any circumstances. IMAGE Studios does not finance any fee.

(2) Rent / Real Estate. If you do not own adequate space, you must lease the space for your Business. Generally, this will include first month's rent, plus a security deposit. The numbers provided cover the interior build out of a location. These costs are the same regardless of whether you buy a building or lease space. These estimates are based on the build out of one (1) location. If you purchase multiple franchises at one time, you will incur additional expenses for each location purchased. Typical franchises are located in commercial centers, strip centers or buildings on commercial streets with heavy traffic, malls and office buildings. ~~Generally, Image Studios salons are located in an existing shopping center with a minimum square footage of 3,500 feet, and a maximum square footage of 8,000 feet.~~ The terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you, however, we require you to include certain lease provisions, as set forth in the Design & Construction Manual and Lease Rider, Exhibit D, to the Franchise Agreement. Legal fees are included in our estimates for leasing the premises but not for the purchase of real estate. The purchase of real estate may have additional legal expenses.

(3) Improvements / Conversions. Franchise locations range from ~~8+8~~ studios to 41 studios (~~2,700~~3,500 to 8,000 square feet). Your location will typically be leased, although some franchisees own their locations. Individual studios should be equipped with cabinets, mirrors, styling chair, etc. You will provide individual studios to salon professionals and sell a variety of different, use and subscription packages to salon professionals on a month-to-month basis and offer and sell services and products that are part of the IMAGE Pro Services program. Subscription payments are collected weekly on Fridays via EFT through our designated accounting software. ~~Franchisees maintain onsite offices at the Location.~~ The costs will vary

widely and may be significantly higher than projected in this table depending on such factors as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish a Franchise.

- (4) Includes other deposits, utility costs, telephone, Internet, and communications costs and incorporation fees.
- (5) You must purchase an initial inventory of cleaning supplies and other operating supplies.
- (6) The advertising and marketing expenditure includes local marketing of a minimum \$2,000 per month (until you reach greater than 70% occupancy, at which point the minimum is reduced to \$400 per month).
- (7) You will be required to purchase computer equipment and software for the operation of your franchise. While we do not require any specific vendors for computer, internet, and communications equipment, we require that you meet certain minimum standards established periodically in the Manuals. We also require that you utilize our property management software and customer relationship management software to keep your salon professional and tenant database within, to run payments and rent via EFT, and to run required financials and reporting on a regular basis.
- (8) This estimates your initial startup expenses for an initial 3-month period, not including payroll costs, and does not include any revenue generated by the operation of your Business. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Business. Your expenses will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (e.g., the local market for our rental spaces), the prevailing wage rate, competition and the sales level reached during the initial period. To compile these estimates, we relied on our owners' combined experience in the salon suite business since 2009 and in the real estate industry since before 2000 as well as our internal data reporting and data from franchisees.
- (9) We do not provide financing arrangements for you.

#### DEVELOPMENT AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
DA Development Fee	\$ <u>84,500</u> (for the right to develop 2 salons) to \$ <u>250,000</u> (for the right to develop <u>10</u> salons)	As agreed	As agreed	IMAGE Studios
Other Expenditures for first Location (1)	\$ <u>524,70</u> - \$ <u>1,265,500</u>	As disclosed in First Table	As disclosed in First Table	As disclosed in First Table
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	<b>\$<u>609,200</u> - \$<u>1,515,500</u></b>			

\*None of the fees paid to us in this table are refundable. Whether such fees that are paid to third parties are refundable would depend upon their policies.

(1) Other Expenditures for first location. You are expected to incur these same costs for each IMAGE Studios location that you develop, subject to inflation and other increases over time. If you sign the Development Agreement, your professional fees (such as legal and financial) ~~may will~~ ~~probably~~ be higher.

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

The appearance, set-up, décor, processes and specifications for all IMAGE Studios salons are trade secrets belonging exclusively to us. To ensure that high and uniform standards of quality and service are maintained, you must operate your IMAGE Studios salon in strict conformity with our methods, standards and specifications as set forth in the Franchise Agreement and in our Startup Manual, Accounting Manual, Marketing ~~&~~, Recruiting ~~&~~ CRM Manual, Marketing Software Manual, Operations Manual, Design & Construction Manual, and the Special COVID-19 Playbook we provide to you or other written materials from us (collectively, the “Manuals”), which we may modify from time to time, and which may be in print or electronic format. We reserve the right to require you to use an electronic version of the Manuals and to require you to access the document using the Internet or an intranet created and supported by us.

You must purchase those furnishings, fixtures, signs, equipment and marketing materials and other promotional products bearing the Marks, as may be specified in the Manuals, only from us or from our approved suppliers or distributors before you open your salon.

We are currently the only approved supplier for the optional IMAGE smartphone application that may be used by salon professionals at your location for scheduling and client management. We collect from you a monthly fee to permit this smartphone app to be used at your location (see Item 6, above) and a third party collects from the salon professionals at your Location a fee or a per-user, per-month flat mark-up related to this smartphone application. ~~At the present time, IMAGE Studios is not an approved or designated supplier of any other items like our CRM and accounting software platforms. We may, however, become an approved or designated supplier for other items in the future.~~ Our officers Jason Olsen and Shaun Olsen have an ownership interest in us. We may derive income or other material benefit from these required purchases from designated and approved vendors/suppliers. There are no current or on-going supplier relationships that provide us with rebates or pay us for a franchisee’s purchases. In the fiscal year ended December 31, 20~~20~~19, neither we nor our affiliates derived any revenue from purchases or leases from any designated or approved vendors/suppliers made by our Franchisees or from any supplier rebate.

IMAGE Studios estimates that the cost of required purchases and leases by the franchisee from designated or approved suppliers or in accordance with IMAGE Studios’ specifications, including the salon equipment, cabinetry, doors, interior signage and interior design services, will represent approximately between 85% and 90% of your total purchases in connection with the establishment of your business, and will represent from 2% to 5% of your ongoing expenses.

If you would like to purchase these items from another supplier, you may request our “Review - Variance Supplier Approval Criteria and Request Form.” Based on the information and samples you are required to supply to us, we will test the items supplied and review the proposed supplier’s business reputation, delivery performance, credit rating and other information. There is a \$250 fee to you for this review and there is no guarantee that we will approve of any request. We may require you to ship the proposed item(s) to us for further inspection. We expect to complete our review and advise you of our decision within 30 days after

you submit the required information. The specifications and standards for these required purchases are in the Manuals. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. We will make any approvals of new vendors or revoke approval of vendors in writing based on the vendor's credit worthiness, delivery standards, and cost and will incorporate our decision in the Manuals. The specifications and standards for these required purchases are in the Manuals.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with other suppliers and distributors for the benefit of our Franchisees in the future and we may receive rebates or volume discounts from our purchase of salon equipment, beauty supplies, hair care products or salon or spa inventory that we resell to you. We do not provide material benefits, such as renewing or granting additional franchises, to Franchisees based on their use of designated or approved suppliers.

### **Accounting Process / Reporting Requirements / Computer Hardware and Software**

You must establish and maintain our bookkeeping, accounting, record keeping and data processing system conforming to the requirements and formats that we prescribe; including, our standard chart of accounts and methodology, format, submission process and timeline, and you must use the operational data control system approved by us, as further detailed in the Manuals. You must furnish us periodic reports, which include and are not limited to, gross revenue and rent revenue reports, vacancy and occupancy reports, lease expiration reports, profit and loss statements, balance sheets, statement of cash flows, ~~and~~ sales activity reports, and annual tax returns for all entities and corporations related to your IMAGE Studios location(s). You must provide such periodic reports in a timely manner as noted in Section 11 of the Franchise Agreement. At our discretion, we may require that we automatically receive or collect on a regular basis some or all of these reports via our accounting and/or CRM software.

You must also purchase a back-office computer system with the appropriate hardware and software. You must purchase the appropriate word processing, spreadsheet, Internet browser, anti-virus, firewall, spyware protection and any other software we may choose to require. The cost of purchasing or leasing the necessary computers and software programs ranges from \$1,500 to \$3,000. We also require that you use our recommended operating software, property management, customer management, accounting and/or scheduling software through our software or through designated vendors. The cost per license for this software can range from \$75 - \$150 per month and will also serve as your required accounting software.

### **Insurance**

You must, at all times, maintain insurance in force: (a) Property Coverage that includes all-risk property insurance, including fire and extended coverage, vandalism, and malicious mischief insurance, for the replacement value of your IMAGE Studios salon and its contents; including business interruption insurance; (b) Commercial General Liability and Product Liability insurance; (c) Workers' Compensation insurance; and (d) Umbrella Liability. All insurance policies must: name Image Studios 360 Franchise, LLC and our Affiliates as additional insureds under the General Liability and Products Liability Policies and loss payee under the Property Policy, Image Studios 360 Franchise, LLC must also be endorsed to all policies noted above to receive 30 days' notice of cancellation in the event of non-renewal and 10 days' notice in the event of nonpayment of premium. You must also provide certificates of insurance evidencing your insurance coverage in compliance with these minimums no later than 10 days before your Salon opens and within 30 days each year when your policies renew.

Set forth below is types of minimum coverage amounts that we currently require for each franchised Image Studios salon per location:

Occurrence Limit	\$1,000,000
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General Aggregate Limit	\$2,000,000
Products/Completed Operations Aggregate Limit:	\$2,000,000
Personal and Advertising Injury Limited:	\$1,000,000
Damage to Premises Rented to You:	\$500,000

**WORKERS' COMPENSATION:**

Workers' Compensation: STATUTORY

**UMBRELLA LIABILITY:**

Commercial Umbrella	\$2,000,000 per occurrence
	\$2,000,000 aggregate

Upon 30 days prior notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional kinds of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

If you at any time fail or refuse to maintain in effect any insurance coverage required by the Company, or to furnish satisfactory evidence of it, the Company, at its option and in addition to its other rights and remedies under this Agreement, may, but need not, obtain this insurance coverage on behalf of you, and you shall promptly sign any application or other forms or instruments required to obtain any insurance and pay to the Company, on demand, any costs and premiums incurred by the Company. At our request, you must furnish us with evidence of insurance coverage and payment of premiums, as we require.

Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations.

**Real Estate Requirements**

You must locate a site for your salon that is approved by us, and you may not sign a lease for the site until we have given our approval in writing. We approve locations on a case-by-case basis, considering factors such as size, appearance, and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area (including other IMAGE Studios salons) and other commercial characteristics, such as purchase price, rental obligations and other lease terms. We will assist you with a list of site criteria to help you locate a suitable one. Our approval of the Site, however, does not and cannot provide any guarantee or representation that the site of your salon will be successful. You must pay for any incidental expenses that IMAGE Studios personnel incur while assisting with salon site selection or site approval processes. These expenses may include car rental, gas, airline tickets, meals, hotel room, and salaries.

If you, one of your Owners, or one of your affiliates at any time owns the premises for your salon you must immediately notify us, and we may require that you or such Owner of Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of termination (for whatsoever reason) of the Franchise Agreement, to lease the premises at fair market rental rates for a term coterminous with the

term of the Franchise Agreement for such premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminous with the term of the Franchise Agreement for such premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then-current lease and sublease forms used by us.

You must construct and develop your Salon at your own cost and expense. You must develop your salon in accordance with such exterior and interior materials and finishes, dimensions, design, image, interior layout, décor, fixtures, furnishings, equipment, color schemes and signs consistent with System products and Marks. You must utilize an architect designated by us to draft a preliminary test fit floor plan and directly pay our designated architect for such. You must prepare all required construction plans and specifications to suit the shape and dimensions of your site and to ensure that the plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. The architect that you use for a full set of construction documents and required engineering must be approved by us. You must submit construction plans and specifications to us for our review before you begin construction of your Salon, and you must submit all revised and “as built” plans and specifications to us during the course of construction. Our review is not designed to assist with compliance with local ordinances and building codes, including ADA standards and requirements, or obtaining any required permits and is limited to review of such plans to assess compliance with our design standards.

In developing and operating your Salon, you must use only the fixtures, furnishings, equipment and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. As of the effective date of this Disclosure Document, we have designated approved suppliers for fixtures, furnishings, equipment, and décor for developing your Salon. These approved suppliers are the only ones that meet our specifications and standards for these items, and you must purchase these items from these approved suppliers.

You may only display at your Salon the signs, emblems, lettering, logos and display materials that we approve in writing. We have the right to install all required signs at the Salon premises at your expense, although our current practice is to require you to install the signs.

We estimate that the cost of required purchases of products, supplies, fixtures, furnishings, equipment, signs and leases from approved suppliers or designated suppliers, or otherwise will represent approximately 50% of your overall purchases and leases in establishing the Salon.

## **Website & Social Media**

You may not promote, offer, or sell any products or services relating to your Salon, or use any of the Marks, through the Internet without our consent. You must acknowledge that IMAGE Studios is the lawful, rightful, and sole owner of [www.imagestudios360.com](http://www.imagestudios360.com) and [www.imagestudiosfranchise.com](http://www.imagestudiosfranchise.com) domain names and unconditionally disclaim any ownership interests in any similar phrase or any similar Internet domain name, including [www.imagestudiossuites.com](http://www.imagestudiossuites.com), [imagestudios360.org](http://imagestudios360.org) and [www.imagestudios360.biz](http://www.imagestudios360.biz) and [www.imagestudios360.salon](http://www.imagestudios360.salon) and [www.imagestudios360.beauty](http://www.imagestudios360.beauty). You and your Principal Owners agree not to register any Internet domain name in any class or category that contains the words IMAGE Studios or any abbreviation, acronym, combination, derivative, or variation of these words including but not limited to the acronyms IS or IS360, or phrases IMAGE, or IMAGE360.

You will use the IMAGE Studios website [www.imagestudios360.com](http://www.imagestudios360.com) (the “Franchise Website”) in strict compliance with the standards, protocols and restrictions we include in the Manuals. You must implement all reasonable procedures we prescribe periodically to prevent unauthorized use and strict compliance with the standards, protocols and restrictions we include in the Manuals regarding the use of the Franchise Website among your Salon Operating Partners, general managers, assistant managers, and the like. You are to notify

us when any partner or employee ceases to be affiliated or employed with your Salon so we can remove their access to the Franchise Website.

You recognize and understand the crucial importance of the Franchise Website users not transmitting Confidential Information, documents or data from or via the Intranet or Internet without first encrypting the transmission with the encryption program we may either require you to purchase or approve of your purchase. You recognize and understand the crucial importance of users refraining from making derogatory, defamatory, or libelous statements on or over an Intranet or Internet transmission.

We ~~will~~ may designate a vendor who will set up your social media advertising accounts. This vendor may change at any time. There ~~will be a charge by the social media company is currently no charge~~ for the initial setup ~~but there may be a management fee imposed by the vendor for this social media management service~~. Only social media pages and accounts owned by us are permitted. You may not create your own separate social media account for your salon. We may create a Facebook business page and Instagram page for your franchised business that you may utilize. You may only post and upload content to our social media pages and accounts if you follow our specifications and guidelines. We may approve all content and graphics before you post or upload and we may require you to remove or delete any content or graphics within 24 hours of notice. You may opt to pay for additional services through this vendor at your discretion. Any monies spent with this vendor would go towards your monthly Local Advertising Requirement. A design and brand identity and style guide is provided to you as a franchisee to ensure that all marketing stays within the guidelines we've set forth. If, however, your marketing is deemed to be "off brand", we reserve the right to remove or request removal of all marketing assets and may require further approval through our marketing team prior to future marketing endeavors. As new social media and technology platforms arise, we will determine in our sole discretion the desirability of each and may decide to create pages or accounts on these platforms for your Franchise and/or location under the same or similar conditions.

### **Inbound Call Center**

We, or an affiliate or a third party we designate may provide a call center to assist in inbound inquiries, and appointment setting. If required by us, you must participate in the call center and you agree to pay pro-rata share of all reasonable fees imposed by the provider for those services. Additionally, you may be required to use a specific telephone number, phone, or VOIP system that we may specify to use these services.

### **Virtual Receptionist Services**

We, or an affiliate or third party we designate may provide virtual receptionist services to salon professionals at your Location.

## **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 disclosure document.**

	<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Section in DA</b>	<b>ITEM in Disclosure Document</b>
a.	Site selection and acquisition/lease if any	Section 3 & Exhibit D	Section 3	ITEM 11
b.	Pre-opening purchases/leases	Section 3	Section 3	ITEM 11
c.	Site development and other pre-opening requirements	Section 3	Section 3	ITEM 11
d.	Initial and ongoing training	Section 4	Not Applicable	ITEM 11
e.	Opening	Section 3	Section 3.1 Attachment A	Not Applicable
f.	Fees	Section 6	Section 2	ITEM 5, 6, & 7
g.	Compliance with standards and policies/Manual	Section 4	Section 4.4	Item 11
h.	Trademarks and proprietary information	Section 2	Not Applicable	ITEM 13 & 14
i.	Restrictions on products and services offered	Section 8	Not Applicable	ITEM 8 & 16
j.	Warranty and customer service requirements	Section 8	Not Applicable	Not Applicable
k.	Territorial development	Section 3	Section 3 Attachment A	ITEM 11 & 12
l.	Ongoing product and service purchases	Section 8	Not Applicable	ITEM 8 & 16
m.	Maintenance, appearance and remodeling requirements	Section 8	Not Applicable	Not Applicable
n.	Insurance	Section 8	Not Applicable	ITEM 8
o.	Advertising	Section 10	Not Applicable	ITEM 11
p.	Indemnification	Section 5	Section 6.2	Not Applicable
q.	Owner's participation/management staffing	Section 7	Not Applicable	ITEM 15
r.	Records and reports	Section 11	Not Applicable	Not Applicable
s.	Inspections and audits	Section 12	Not Applicable	Not Applicable
t.	Transfer	Section 13	Sections 4.3 and 5.2	ITEM 17
u.	Renewal	Section 2	Not Applicable	ITEM 17
v.	Post-termination obligations	Section 15	Not Applicable	ITEM 17
w.	Non-competition covenants	Section 15	Not Applicable	ITEM 17
x.	Dispute resolution	Section 17	Section 7	ITEM 17
y.	Other	Not Applicable	Not Applicable	Not Applicable

## ITEM 10. FINANCING

Neither ~~we~~IMAGE Studios nor any agent or Affiliate of ours offers direct or indirect financing. We do not guarantee your note, lease, or other obligation.

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

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

### Pre-Opening Obligations

**Before you begin your Business, we will**

1. ~~Within 30 days after signing the Franchise Agreement, D~~esignate your Protected Territory in the Franchise Agreement in which you can place writing and approve, if it meets our standards and specifications for approval, the franchise location, which is selected solely by you to be used for the operation of the Franchise (see Section 3 of the Franchise Agreement). We do not generally own the premises or lease locations to franchisees.
2. Provide you with a digital copy of our confidential Manuals, which contain mandatory and suggested specifications, standards, operating procedures and rules. The Manuals are confidential and remain our property. We may modify the Manuals from time to time, but the modification will not alter your status and rights under the Franchise Agreement. (See Section 4 of the Franchise Agreement.) We have included a copy of the Table of Contents of our Manuals as Exhibit E to this Franchise Disclosure Document. The Manuals contain ~~1,228~~834 pages cumulatively.
3. Designate the site for the Premises or provide advice about selecting and analyzing a site for your location. ~~Your site must be at least 3,500 square feet.~~ Site selection is your responsibility, but we will assist you by considering population density, traffic patterns, and proximity of the proposed site to other IMAGE Studios Salons or any other reasonable criteria. You must lease, sublease or purchase the Premises within 180 days after signing the Franchise Agreement. If you and IMAGE Studios cannot agree on the site selection, then you must select two (2) alternative sites. IMAGE Studios will give you an evaluation of each site. You may then choose any one of the three sites. IMAGE Studios must approve or disapprove your site within 30 days after we receive notice of the franchise from you. If we cannot agree on any of the three sites, then Image Studios will send a representative to assist in site selection. You cannot terminate the Franchise Agreement due to failure to agree on site selection, however, we may terminate the Franchise Agreement for failure to designate a location within twelve (12) months of signing the Franchise Agreement. Our assistance in no way constitutes a representation or warranty with respect to the site. (See Section 3 of the Franchise Agreement.)

If you enter into a Development Agreement (“DA”)(Exhibit D) with us, we will approve sites for an agreed upon cumulative number of IMAGE Studios to be placed within a specific, agreed-upon Development Area. We will approve or reject each site for which you submit to us a site proposal application containing certain information about the location and its surroundings and for which you in good faith believe to conform to our then-current standard selection criteria for IMAGE Studios Salons. If we approve the site, we will do so by delivering our standard site approval letter. We will use all reasonable efforts to make a site approval decision and, if the site is approved, deliver a site approval letter to you within 30 days after we receive the complete site proposal application and any other materials we have requested. In deciding whether to approve or reject a site you propose, we may consider these factors as we, in our sole discretion, deem appropriate, including the general

location and neighborhood, demographic information, traffic patterns, access, visibility, location of other retail establishments (including other Image Studios Salons) and size, condition, configuration, appearance and other physical characteristics of the site. If you have not obtained legal possession of the premises within 120 days of the date of the site approval letter, we have the right to retract this approval (See Section 3(B) of the Development Agreement).

You must have open and operating in the Development Area the cumulative number of IMAGE Studios Salons by the corresponding dates set forth in Development Schedule found in Exhibit 1 attached to the Development Agreement. Your failure to develop and operate IMAGE Studios Salons in accordance with the Development Schedule is a material breach of the Development Agreement and gives us the right to terminate.

4. Provide you advice about the negotiation of the lease or purchase of a location for your Business through our or your selected affiliate(s) or real estate broker(s), which will be leased or purchased by you from independent third parties. Our assistance in no way constitutes a representation or warranty with respect to the lease or purchase. (See Section 3 of the Franchise Agreement.)
5. Approve, if it meets our standards and specifications for approval, plans submitted for the design of your Franchise. Construction or remodeling, if needed, should begin as soon as possible after signing the Franchise Agreement, but, in any case, will not begin later than twelve months after signing the Franchise Agreement. You must purchase cabinetry, salon equipment and interior signage and interior design services from our approved vendor/supplier of these items. We provide you a list of our then-current designated and approved suppliers and written specifications for these items. We do not deliver or install these items for you. Upon request, we will assist in the development and planning of any construction or remodeling with respect to sign specification and colors and Salon layout and design. We do not assist with, and you are responsible for, compliance with all local ordinances, codes, permits, and other requirements relating to the plans. You must pay for construction or remodeling and all other costs associated with compliance and permits. Our approval means the site and plans meet minimum specifications and is not a warranty for their appropriateness. (See Section 3 of the Franchise Agreement.)
6. Within 60 days of your signing the Franchise Agreement, or any other time as may be mutually agreed upon, train you and your designated Manager as follows.

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Orientation and Overview	Minimum of 2 Hours	None	Online and Salt Lake City, Utah
Accounting and CRM Training	Minimum of 6 Hours	None	Online and Salt Lake City, Utah
Site Selection and Construction	Minimum of 4 Hours	None	Online and Salt Lake City, Utah
Marketing and Promotion	Minimum of 6 Hours	None	Online and Salt Lake City, Utah
Studio Leasing and Documentation	Minimum of 4 Hours	None	Online and Salt Lake City, Utah

Operations	Minimum of 8 Hours	None	Online and Salt Lake City, Utah
<b>TOTALS</b>	<b>Minimum of 30 Hours</b>		

Our initial training program consists of virtual instruction available online. Your participation occurs remotely, not at our location, so there are no travel costs associated with this training. Our training staff currently consists of Jason Olsen, Taylor Lamont, Lizzie Webb, and Marcia Carter. Jason Olsen has served as our President since 2014, has operated salon suites since 2009 and has been an entrepreneur since 1997. Taylor Lamont has served as our Chief Operations Officer since January 2020 and has served as our Vice President of Education in Salt Lake City, Utah from July 2019 to December 2019. Lizzie Webb has been our Director of Marketing Manager in Salt Lake City, Utah since January 2020 and has served as our Marketing Manager from January 2020 to December 2020, and Marcia Carter has been our preferred Project Manager independent contractor since October 2019. Training materials will consist of the online Manuals and virtual instruction. Additional training is held on an as-needed basis.

You and your designated Manager must participate in and successfully complete our initial training program. In the event that you would need or request additional on-site training, all travel expenses (i.e. Hotel, Airfare, Vehicle) for you or our designated Manager would be covered by you, and would be held at our headquarters in Salt Lake City, Utah, or at another designated franchise location. If you or your designated Manager fail to successfully complete this initial training program to our satisfaction you or your designated Manager must repeat this training prior to commencing operation of your franchise. After satisfactorily completing this initial training, required monthly meetings with your trainer will commence. We do not assist with, and you are responsible for, the direct hiring and training of your employees.

- Typically, our franchisees are able to open their salons within 8-12 months after signing the franchise agreement. Unless extended after payment of the Additional Time to Open Fee or otherwise agreed to in writing by the parties, you must open your Salon no later than the earlier of: (i) 180 days after we give you approval of your location and all required construction permits and licenses; and (ii) 300 days after you sign a Franchise Agreement. The factors that affect this time are the ability to obtain a building or lease, obtain general business permits, training, financing or building permits, zoning and local ordinances, weather conditions, shortages, and installation of equipment, fixtures and signs. Unless extended after payment of the Additional Time to Open Fee or otherwise agreed to in writing by the parties if you do not open your franchise within 180 days after we give approval of your location and all required construction permits and licenses or within 300 days after signing the Franchise Agreement we may terminate the Franchise Agreement and retain all monies received. If you have paid to us the Additional Time to Open, you must complete development of and have the Salon opened to the public within 500 days after you sign this Agreement. We may terminate if you fail to timely open (Franchise Agreement, Sections 3(C) and 14).

If you enter into a Development Agreement (“DA”) with us and, unless otherwise agreed to in writing, you will be required to sign our Development Agreement (“DA”) (Exhibit D) and agree to open one unit each year.

**During the operation of the franchised business, we will**

- Periodically modify and update the Manuals to reflect changes in standards, specifications and operating procedures. (See Section 4 of the Franchise Agreement.)

2. Offer you a reasonable amount of continuing advisory services by telephone during normal business hours. We may also provide to you visits by our field representative, but any additional on-site consultation or advisory services you request may incur a fee. (See Section 4 of the Franchise Agreement.)
3. We will include information about your Salon on our website. (See Section 10 of the Franchise Agreement.)
4. In the future, we may implement a centralized purchasing system for you and negotiate prices and terms with suppliers. We may receive rebates from the suppliers for these purchases. We reserve the right to use these funds in our sole discretion. (See Section 8 of the Franchise Agreement.)
5. We may hold periodic regional or national conferences to discuss on-going changes in the industry, operational techniques, best practices, studio rental developments, personnel training, bookkeeping, accounting, advertising programs and new service procedures. You are required to attend these conferences. We may hold a National Convention during the year . Conferences will be held at our corporate headquarters or at another location chosen by us. We estimate the cost of the travel and living expenses to attend the conferences to be between \$500 and \$2,500 per person. We may provide other conferences from time to time, and you may be required to pay a conference fee for these additional conferences based upon the direct costs to us of retaining speakers and other direct expenses associated with the conference. You must pay all of the travel and living expenses for you and any other employees who attend. We will not receive any net income from these conferences. (See Section 4 of the Franchise Agreement.)
6. Provide access to marketing, promotional materials, and services through our marketing portal. Materials provided may include video and audio files, copy-ready print marketing materials, digital marketing files, posters, banners and miscellaneous items. We may use both outside advertising and marketing agencies and internal staff to create advertising. You must purchase our marketing materials for your own use in your business, at your own cost. We must approve the marketing materials in advance and in writing within fifteen days from receipt. We reserve the right to utilize marketing developed by you for the use of all Franchisees without any payment or other compensation to you. (See Section 10 of the Franchise Agreement.)
7. There are no restrictions on your marketing, except that you may not advertise independently on the Internet (See Section 10 of the Franchise Agreement) or outside your Protected Territory (except for direct mail advertising) and that we must approve your advertising.

## **Marketing Programs**

### *Local Marketing Requirement*

At the present time, you are required to market on a local basis as an individual Franchisee or by local marketing agencies hired by you. You are required to spend a minimum of \$2,000 per month until you reach greater than 70% occupancy and \$400 per month after that on marketing and promotion in your Protected Territory. Marketing and promotion costs include but are not limited to mailers to potential customers, online advertising, and meals and entertainment for existing customers. (See Section 10 of the Franchise Agreement.) You are not required to participate in any local or regional advertising cooperative or association.

### *Brand Development Fund*

We administer a “Brand Development Fund” for any costs associated with branding, marketing, advertising, promotion, media, production, graphic designing, public relations and any other methods, campaigns, programs, materials, or activities that we believe will benefit our franchise system. This may include creation and development, electronic, print, radio, television, and outdoor media as well as the planning and purchasing of national and/or regional media, including electronic, print, radio, television, and outdoor advertising, or other media vehicles (“Marketing”) and market research activities, marketing collateral development, concept development, websites, social media, software, facilities, contests and related maintenance, administration, operation, optimization, and direction. This will also cover monthly industry expert business training programs for tenants, ongoing expert training and ongoing support calls. ~~In our last fiscal year ending December 31, 2019, we did not have a Brand Development Fund and we did not collect or spend any amounts related to the Brand Development Fund.~~ We currently require you to contribute 2% of Gross Revenues to the Brand Development Fund ~~and may change the contribution rate (up to 2% of Gross Revenues) with 30 days’ prior notice.~~

#### **Summary of Brand Development Fund Contributions and Expenses for Fiscal Year 2020**

<b><u>Expenses:</u></b>	<b><u>Marketing</u></b>	<b><u>\$7,116</u></b>	<b><u>12.9%</u></b>
	<b><u>SEO and Website Management</u></b>	<b><u>\$4,513</u></b>	<b><u>8.2%</u></b>
	<b><u>Marketing Consulting</u></b>	<b><u>\$9,534</u></b>	<b><u>17.4%</u></b>
	<b><u>Social Media</u></b>	<b><u>\$7,207</u></b>	<b><u>13.1%</u></b>
	<b><u>Internal Marketing and Admin</u></b>	<b><u>\$26,588</u></b>	<b><u>48.4%</u></b>
<b><u>Total Expenses:</u></b>		<b><u>\$54,958</u></b>	<b><u>100.0%</u></b>
<b><u>Brand Development Fund Contributions:</u></b>		<b><u>\$38,736</u></b>	<b><u>100%</u></b>
<b><u>Excess of Expenses Over Contributions:</u></b>		<b><u>(\$16,222)</u></b>	

We will use national and regional advertising agencies as well as our in-house marketing personnel as we deem appropriate. At our discretion, the Brand Development Fund may also pay for consumer research and the production and development of Marketing materials. We reserve the right to have our Affiliate or a related entity manage this fund. If not covered by the Brand Development Fund, each Salon, whether Franchise-owned, company-owned, or company-affiliated, shall be responsible for its pro rata share (or, if applicable, on a use basis), on a per Salon basis, of the actual production costs and fees (such as print ad fees) of the Marketing materials, which can be applied to your Local Advertising Requirement. IMAGE Studios Salons owned by our Affiliates and us shall contribute to the Brand Development Fund on the same basis as the then-current rate for franchisees.

We will have sole discretion over all aspects of programs financed by the Brand Development Fund, including national or regional media, creative concepts, materials, endorsements, and agency relationships. Although the Brand Development Fund is intended to maximize general recognition and patronage of the brand and the Marks for the benefit of all IMAGE Studios Salons, we do not make any representation and we cannot assure you that any particular IMAGE Studios Salons will benefit directly or pro rata from the placement of advertising or that any amounts will be spent on advertising specifically in the area in which a franchisee is located. Additionally, we reserve the right to define, at any time, the measurement terms for any media coverage. We will have sole direction to use all contributions to and any earnings from the Brand Development Fund. By way of example only, the Brand Development Fund may be used to pay for the cost of preparing and producing creative materials and programs we select, including video, audio, electronic, and printed advertising materials, media planning, and buying services, and for the cost of employing advertising

agencies, and supporting market research activities. We may furnish you with marketing, advertising, and promoting materials at cost, plus any related administrative, shipping, handling, and storage charges.

The Brand Development Fund will be accounted for separately from our other funds. You may obtain an unaudited yearly accounting of the Brand Development Fund upon written request to us. We intend to make such accounting available within 120 days after our fiscal year end and at the Brand Development Fund's expense. If we do not spend all of the collected amounts in the Brand Development Fund in any given year, we roll over and apply them in the following year(s). The Brand Development Fund may borrow from us or other lenders to cover deficits in the Brand Development Fund or cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. Except as otherwise expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation with respect to the maintenance, direction, or administration of the Brand Development Fund. We do not act as a trustee or in any other fiduciary capacity with respect to the Brand Development Fund. We will not use the Brand Development Fund to offset the cost of our general operating expenses except for reasonable allocation of overhead, including pro-rata amount of salaries and facilities, used to develop, research and administer the promotions, products, campaigns, programs and activities covered by the Brand Development Fund. We shall not be required to separately account to you for the activities conducted using overhead or administration portion or allocation of the Brand Development Fund.

We may use up to 15% of the Brand Development Fund to solicit new franchisees and we may add franchise opportunity information to advertising and activities supported by the Brand Development Fund.

We reserve the right to seek the advice of owners of IMAGE Studio Salons by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Development Fund. At our direction, we may establish a Marketing Advisory Council ("MAC"). If established, members of the MAC would be elected by franchise owners from among signatory franchise owners who have at least one salon open and the MAC will serve only in an advisory capacity. The final authority on all programs financed by the Brand Development Fund will rest with us, and we will have sole discretion over all aspects of such programs, including national or regional media, creative concepts, materials, endorsements, agencies, and suppliers. We will have the right to change or dissolve the MAC.

#### *Advertising Approvals and Initial Advertising Costs*

You must submit to us for our prior approval, a marketing plan annually for your market(s) and a marketing plan for each new Salon opening along with samples of all advertising and promotional materials by following the creative approval process, which occasionally may be updated. You must spend a minimum of one thousand five hundred dollars (\$1,500.00) for grand opening advertising and promotional programs for your Salon. Grand opening advertising and promotional program costs will be applied toward the Local Advertising Requirement expenditures. You must use the types of advertising media specified in the Manuals and you must conduct your grand opening program once your location reaches an occupancy of 65% or more, or within the first eight months of operation, whichever occurs first. If you elect to work with a marketing firm (including an advertising agency, public relations firm, printing or production company) you must obtain our written approval of such marketing firm, and such marketing firm must sign an IMAGE Studios approved confidentiality agreement before you sign any contracts or share any Confidential Information, as defined in your Franchise Agreement, with such marketing firm. Marketing, advertising, printing or production firms employed by you will not be permitted access to any limited access intranet sites (including the Franchise Website) or any other information regardless of a confidentiality agreement having been signed. Marketing, advertising, printing or production firms may not have access to trademark or branded collateral, apparel or merchandise without our written approval.

### *Creative Approval Process*

IMAGE Studios will produce all advertising and promotion materials. However, IMAGE Studios holds the right to authorize or oversee the production of creative or marketing collateral by outside or third-party marketing or advertising firms. Any advertising and promotion materials not prepared by us must be approved before your use. The complete creative approval process, as it occasionally may be updated, can be found in the Manuals. We reserve the right to decline approval of any advertising or promotional materials if we believe it does not meet our standards as specified in our IMAGE Studios Identity and Style Guides.

### **Computer Systems, Proprietary Software, and Internet Access**

We do not currently require you to purchase any particular brand of computer hardware, but we do specify the standards for computer and communication equipment and Internet access. The minimum hardware requirement is a PC or MAC with 4GB RAM and 250GB Hard Drive. This hardware may be obtained from any computer reseller such as [Amazon](#), Office Max, Staples, Office Depot or Best Buy and will cost from \$1,000 to \$2,000. You will be required to license our approved operating, CRM, and accounting and property management software, to use in the operation of your Franchise as prescribed in the Manuals. You must provide us access to the information contained in the software over the Internet. However, we will be restricted to the information relating only to your franchise. IMAGE Studios has the contractual right to poll the necessary data from your computer, but as a practical matter would be unable to do so without your cooperation. IMAGE Studios will not have the right to access other types of data on your computer and does not have the ability to access it independently.

We reserve the right to specify computer hardware or software standards in the future. You must have access to the Internet, have an electronic mail address and periodically check your electronic mailbox and the portion of our Website devoted to franchise owners. We will provide you with an email with our domain name (e.g.: \_\_\_\_\_@imagestudios360.com). The cost of administering and hosting each email account is currently \$72.00 per year, per email, and may increase in the future. We have the sole right to market and sell on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify from time to time.

You may be required to upgrade your hardware and/or software in order to utilize the computerized system as technological advances require. You will be responsible for the cost of such upgrades. You will not be required to upgrade your hardware or software more often than once a year.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by such computer-related problems. You must also take reasonable steps to verify that any person or entity upon whom you rely is reasonably protected. This may include establishing firewalls, access code protection, anti-virus systems, and use of backup systems.

### **ITEM 12. TERRITORY**

For each Franchise unit you purchase that is not located in major metropolitan downtown areas or similar defined Central Business Districts, you will receive a protected territory (“Protected Territory”) with a 2 mile radius. However, for a unit located in major metropolitan downtown areas or similar defined Central

Business Districts, your exclusive Protected Territory will be one-half to 1 mile radius as determined by us. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Under the Development Agreement, you receive a “Development Area” in which you must open and operate multiple franchised units according to a Development Schedule. The exact size, definition, and boundaries of the Development Area will depend on many factors, such as your and our market analysis, our market penetration plans and franchise placement strategies, existing population and anticipated population growth according to United States Census Bureau reports and estimates and chamber of commerce information, competition, availability of acceptable locations, the number of salons to be developed and the number of then-operating IMAGE Studios salons in the area. The Development Area can be identified by political boundaries such city or county limits, zip codes, or geographical landmarks and boundaries. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Your Protected Territory will be defined in the Site Selection Addendum attached to the Franchise Agreement as Exhibit G. The Development Area is defined in Exhibit A to the Development Agreement. Each Franchised unit purchased operate from one location approved by us and must receive our permission before relocating. We will grant approval to relocate if you are in compliance with the Franchise Agreement and/or the Development Agreement, you have paid all money owed to us and/or our affiliates, and the proposed location meets our site selection criteria as specified in the Manuals. If you and IMAGE Studios cannot agree on the site selection, then you must select two (2) alternative sites. IMAGE Studios will give you an evaluation of each franchise. You may then choose any one of the three sites. IMAGE Studios must approve or disapprove your site within 30 days after we receive notice of the franchise from you. If we cannot agree on any of the three sites, then IMAGE Studios will send a representative to assist in site selection. The franchise agreement cannot be terminated due to failure to agree on site selection, however, unless otherwise agreed to in writing by the parties, the franchise agreement may be terminated for failure to designate a location within twelve (12) months of signing the franchise agreement. The Development Agreement can be terminated for failure to fulfill your Development Schedule. The typical Development Schedule requires at least one salon to be opened within the Development Area per year, with a cumulative number of previously-opened salons continuing to operate within the Development Area.

Neither IMAGE Studios, nor any Affiliate, will operate, through our current or a different trademark or grant franchises for the same, similar or competitive business within your Protected Territory, but IMAGE Studios, its Affiliates and its franchisees have the right to do so anywhere outside your Protected Territory. Once established, and unless otherwise agreed to in writing by the parties, the boundaries of your Protected Territory and/or Development Area will not be adjusted regardless of whether the population of your Protected Territory increases or decreases over time.

Your Protected Territory or Development Area do not extend to, and you may not advertise independently on, the Internet. We will maintain the IMAGE Studios website page which will include information regarding your Franchise. You may not solicit or advertise to people who reside outside the Protected Territory (other than direct mail solicitations) without the express written permission of Franchisor.

There is no minimum sales quota; however, there is a minimum royalty fee to encourage development of business in your territory. The minimum monthly royalty fee of \$250 per week is required. This fee is due if the total royalty fees for the week are lower than \$250, in which case, the difference of the total royalty fees paid for the month would be due, payable at the end of the month. Failure to pay the royalties or minimum royalty is a material breach of the Franchise Agreement and may result in termination.

You do not receive the right of first refusal or the right to acquire additional franchises within your area or any contiguous area. Each Franchise Agreement is a separate and distinct transaction between you and us.

You are encouraged to purchase franchise rights to operate additional franchises within or outside your local trade area. You can only obtain additional territorial protections and the right to acquire multiple franchises if you and we agree to sign a Development Agreement. You do not receive any rights to use any other channel of distribution for our products or services without our written consent.

Although we have not done so, we and our affiliates may sell products under the Marks within and outside your Protected Territory and/or Development Area through any method of distribution other than a dedicated IMAGE Studios location, including, sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Protected Territory except as described in the following paragraph and you will receive no compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet or other computer network site or sell through any other alternative distribution channel, and we receive orders for any System products or services calling for service or performance in your Protected Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will be entitled to no compensation in connection with this.

Our affiliates and we can use alternative channels of distribution to make sales within your Protected Territory and/or Development Area of products or services under trademarks different from the Marks you will use under the Franchise Agreement, but we and our affiliates have not yet made any sales of this type.

We reserve the right, among others

1. to own, franchise, or operate Franchises at any location outside of the Protected Territory or Development Area, as the case may be, regardless of the proximity to your Franchised unit,
2. to use the Marks and the System to sell any salon equipment or services, or beauty supplies similar to those which you will sell, through any alternative channels of distribution within or outside of the Protected Territory or Development Area. This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale sale to unrelated franchises, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce,
3. to purchase or be purchased by, or merge or combine with, any businesses, including a business that competes directly with your Franchise, wherever located, and
4. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

### **ITEM 13. TRADEMARKS**

We grant you the right to operate a business under our Marks, including the name “IMAGE Studios” and “IMAGE Studios 360”. By “trademark,” we mean trade names, trademarks, service marks, and logos used to identify your Business. We currently operate the franchise system under the trademark “IMAGE Studios”. This trademark is owned by our affiliate, IS360 TM, LLC. We have been granted a license, by our affiliate, which is unrestricted as to purpose and unlimited as to duration of time and cannot be cancelled or modified, to use this and any other future trademark(s) owned by our affiliate. We have the exclusive right to license to our franchisees the right to use this trademark. We grant you the right to operate your Business under the

name “IMAGE Studios”. You may also use our other current or future Marks as we may designate to operate your Business. You must indicate, as required in the Franchise Agreement and specified in the Manuals, that you are an independent operator of the Franchise and shall use the appropriate trademark and copyright marks as indicated by us.

The following trademarks are registered with the United States Patent and Trademark Office (“USPTO”) on the principal register. All required renewals and affidavits have been filed. IS360 TM, LLC has licensed the use of its trademarks to Image Studios 360 Franchise, LLC pursuant to a Trademark Licensing Agreement (the “License Agreement”), dated April 15, 2015. The License Agreement allows IMAGE Studios, as licensee, to use the trademarks listed below, as long as IMAGE Studios is solvent. IS360 TM, LLC also has the right to terminate the License Agreement in the event that IMAGE Studios or any of its sublicensees breach any material term of the agreement. In the event the License Agreement is terminated, sublicensees will cease and desist from all use of the trademarks.

<b>Description of Mark</b>	<b>Registration Date</b>	<b>Registration Number</b>
IMAGE STUDIOS 360	October 27, 2015	4,842,581
CREATIVITY FREEDOM SUCCESS	August 9, 2016	5,018,603
WHERE CREATIVES PLAY	December 1, 2015	4,864,554
IMAGE STUDIOS 360 (LOGO) 	January 15, 2019	4,842,581
IMAGE STUDIOS	Feb 4, 2020	5,979,762
<u>YOUR NEW SALON IS HERE</u>	<u>December 1, 2020</u>	<u>6,212,026</u>
<u>IN THE LINE OF BEAUTY</u>	<u>October 13, 2020</u>	<u>6,176,144</u>
<u>WEAVE GOT THE POWER</u>	<u>October 13, 2020</u>	<u>6,176,143</u>
<u>WHERE BEAUTY &amp; BUSINESS THRIVE</u>	<u>October 13, 2020</u>	<u>6,176,142</u>

You must follow our rules when you use any of the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, metatags or search techniques except as we license to you. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices are set forth in the Manuals and will be updated from time to time ~~at~~ our discretion.

There is no currently effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the Marks, which are relevant to your use of these Marks.

No pending material litigation affects our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of the Marks listed in this section in a manner material to the franchise.

We have the right to control and administrative proceedings or litigation involving a trademark licensed by us to you. You must notify us within three days of when you learn about an infringement of or challenge to your use of our Marks. We will take the action necessary, in our sole and absolute discretion, to protect the unauthorized use of our Marks, which may include payment of reasonable costs associated with the action. We will indemnify you for any claims of infringement or challenges from use of Marks and will be solely for the defense and the cost thereof.

You must modify or discontinue the use of a Mark if we modify or discontinue use. The use of a new or modified trademark may be required, and you may be required to replace existing signs using new signs displaying our new or modified trademark. If this happens, we will reimburse you for your tangible cost of compliance (for example, changing signs). You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Marks. You should understand that there could be other businesses using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before starting your Franchise, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your Franchise name.

## **ITEM 14. COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Patents and Copyrights**

There are no pending patent applications that are material to the franchise. We hold no patents and have no pending patent applications. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in the IMAGE Studios Confidential Manuals, including the Startup Manual, Accounting Manual, Marketing ~~&~~ Recruiting ~~and CRM~~ Manual, Marketing Software Manual, Operating Manual, the IMAGE Studios Design & Construction Manual, and the Special COVID-19 Playbook.

There are no agreements currently in effect, which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the USPTO, the U S Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. As of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights, which could materially affect your use of them in any state.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Marks described in Item 13 of this disclosure document.

### **Confidential Information**

You may never – during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated – reveal any of our confidential information to another person or use it for any other purpose or business. You may not copy any of our confidential information or give it to a third party except as we authorize. All persons affiliated with you who perform work for the business or who have access to our confidential information must first sign our Confidentiality/Non-Competition Agreement (Exhibit E to the Franchise Agreement).

Our confidential information will include services, technologies and procedures relating to the operation of an IMAGE Studios salon, systems of operation, tenant and salon professional information, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the IMAGE Studios System, the Manuals methods of advertising and promotion instructional materials, and other matters.

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

You or a fully trained and qualified manager (“**Manager**”), who has completed our training program, must directly supervise and participate in the actual day-to-day operation of the Franchise. Neither you nor your Manager may have an interest or business relationship with any of our business competitors. If you are an entity, we do not require that your designated Manager own an equity interest in such entity. You are responsible for ensuring that your Manager, employees and contractors do not disclose our confidential information. Each of your officers, directors, partners, shareholders or members (and, if you are an individual, immediate family members) who perform work for the business or who have access to our confidential information must execute our standard Nondisclosure and Non-competition Agreement, a copy of which is attached to Exhibit E of the Franchise Agreement. Other than the above, we make no other recommendations and have no other requirements regarding your participation in the direct operation of the franchised business or the employment or other written agreements between you and your employees.

If you are a business entity, each of your officers, directors, shareholders, partners, and members, plus any individual who owns, directly or indirectly, a 20% or greater interest in you must also sign the Guaranty and Assumption of Franchisee’s Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement. (See Attachment V to the Franchise Agreement.) If your spouse or one of your owners’ spouses has any property interest in the Franchise Agreement, your ownership or the franchise owing to a state’s community property laws, we can require that spouse to consent to all of the terms and conditions of the Franchise Agreement.

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

You will offer to lease to salon professionals only those salon studio spaces, booths, rooms, or other rentals that are authorized and approved by us. You are not restricted in your selection of the salon professionals to whom you may offer studio space, booths, rooms, and use and subscription packages, and IMAGE Pro Services provided such individuals are properly licensed in your state. You will offer and sell only those products and services that are part of our IMAGE Pro Services program or otherwise authorized and approved by IMAGE Studios. You will ensure that the salon professionals at your Location only provide such products and services to the public that are authorized and approved by us. IMAGE Studios reserves the right, in its sole discretion, to change the types of authorized products and services that you may offer, upon reasonable notice to you. There are no contractual limits on our right to make any such changes, but IMAGE Studios will not make changes lightly. IMAGE Studios reserves the right to set maximum prices for use with multi-area marketing and special price promotions. Additionally, you cannot lease the individual studios or offer and sell the IMAGE Pro Services at a rate lower than the prevailing market rate for the area in which the IMAGE Studios Salon is located. IMAGE Studios will assist you in determining the range of acceptable rates for your particular location.

Currently, you must purchase salon equipment and beauty supplies from our designated suppliers. You must use the services of IMAGE Studios’ designated salon design firm. IMAGE Studios reserves the right to designate alternative vendors from whom you will purchase salon equipment and beauty supplies.

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

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

**THE FRANCHISE RELATIONSHIP**

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary For Franchise Agreement</b>
A	Length of the franchise term	Section 2	<u>Longer of 10 years or end of initial term of the lease</u>
B	Renewal or extension of term	Section 2	If you are in good standing you can renew.
C	Requirements for franchisee to renew or extend	Section 2	Sign new agreement, give timely notice of intent to renew, not be in default, not have been in material breach previously, be current in payments, pay the Renewal Fee. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original contract, but the boundaries of the territory will remain the same, and the Continuing Royalty on renewal will be no greater than Royalties that we impose on similarly-situated renewing franchisees.
D	Termination by franchisee	Section 15	Breach by us of material provision and failure to cure following proper notice.
E	Termination by franchisor without cause	None	None
F	Termination by franchisor with cause	Section 14	We can terminate if you commit any one of several violations with a written 30 days' notice and for certain violations without any notice.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary For Franchise Agreement</b>
G	“Cause” defined - curable defaults	Section 10	You have 30 days to cure, including failure to comply with the System, non-payment of fees and other obligations, failure to comply with federal, state or local laws or regulations, certain breaches of the agreement, defaults under any other agreement with us or our Affiliates, failure to complete training as required, loss of possession of your business, affecting an unapproved transfer and liquidating or consolidating without our approval.
H	“Cause” defined - non-curable defaults	Section 14	Non-curable defaults include misrepresentation by you, failure to complete initial training, bankruptcy, insolvency, or appointment of receiver, abandonment, trademark misuses and unapproved transfers. (Termination upon bankruptcy may not be enforceable under U.S. Bankruptcy Law)
I	Franchisee’s obligations on termination/nonrenewal	Section 15	Obligations include complete de-identification, non-competition, and return of confidential or critical business information and payment of amounts due.
J	Assignment of contract by franchisor	Section 13	No restriction on our right to assign.
K	“Transfer” by franchisee - defined	Section 13	Includes transfer of contract or assets or ownership change.
L	Franchisor approval of transfer by franchisee	Section 13	We have the right to approve all transfers but will not unreasonably withhold approval.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary For Franchise Agreement</b>
M	Conditions for franchisor approval of transfer	Section 13	You must be in good standing and full compliance with your franchise agreement, including having paid all amounts owed; you must execute a release of claims and pay the transfer fee; the proposed transferee must meet our then-current standards for franchise owners, must complete initial training and sign our then-current form of franchise agreement and pay the transfer fee, the location landlord must consent to assignment of the lease to the proposed transferee. Any brokers' fees or commissions that arise because of the transfer must be paid by you.
N	Franchisor's right of first refusal to acquire franchisee's Business	Section 13	We can match any offer for your Business.
O	Franchisor's option to purchase franchisee's Business	Section 13	We may purchase Business if Franchise is terminated for any reason by Right of First Refusal.
P	Death or disability of franchisee	Section 13	Franchise must be assigned by estate to approved transferee within 120 days.
Q	Non- competition covenants during the term of franchise	Section 15	No involvement in competing business anywhere in U.S.
R	Non-competition covenants after the franchise is terminated or expires	Section 15	No competing business for 2 years within 5 miles from the boundary of your Protected Territory or from another IMAGE Studios salon (including after assignment).
S	Modification of agreement	Section 18	No modifications generally but the Manuals and the System are subject to change.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary For Franchise Agreement</b>
T	Integration/merger clause	Section 18	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the Franchise Agreement may not be enforceable. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.
U	Dispute resolution by arbitration or mediation	Section 17	Except for certain claims, all disputes must be arbitrated.
V	Choice of forum	Section 17	Arbitration and actions for injunctive relief, claims based on the Marks, or on covenants not to compete must be in the State of Utah (subject to state law).
W	Choice of law	Section 17	Utah law applies (subject to state law).

See Exhibit G, the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

### **DEVELOPMENT AGREEMENT RELATIONSHIP**

**This table lists certain important provisions of the multi-unit development agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

	<b>Provision</b>	<b>Section in Developer Agreement</b>	<b>Summary For Developer Agreement</b>
A	Length of the DA term	Section 2	Date of execution and, unless earlier terminated, end on the last day of the calendar month that the final Location is required to be developed and opened under the Development Schedule.
B	Renewal or extension of term	Not Applicable	Not Applicable.
C	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable.

	<b>Provision</b>	<b>Section in Developer Agreement</b>	<b>Summary For Developer Agreement</b>
D	Termination by franchisee	Not Applicable	Termination by Franchisee for any reason with 60 days prior written notice.
E	Termination by franchisor without cause	None	None.
F	Termination by franchisor with cause	Section 9	We can terminate if you commit any one of several violations immediately upon notice or with 30 day notice.
G	“Cause” defined - curable defaults	Section 9	You have 30 days to cure, including Failure to Maintain Standards, Deceptive Practices Failure to Obtain Consent, Failure to Comply with the Manuals, Breach of Developer Agreement, Breach of a unit Franchise Agreement such that we have the right to terminate the Franchise Agreement, whether or not we elect to exercise our right to terminate the Franchise Agreement, Failure to Timely Develop.
H	“Cause” defined - non-curable defaults	Section 9	Immediate termination upon receipt of notice. Non-curable defaults include Abandonment, Insolvency, Assignments, Unsatisfied Judgments, Levy, Foreclosure, Criminal Conviction, Failure to Make Payments, Misuse of Marks, Unauthorized Disclosure, Violation of Restrictive Covenants, Repeated Noncompliance, Unauthorized Transfer, (Termination upon bankruptcy may not be enforceable under U.S. Bankruptcy Law).
I	Franchisee’s obligations on termination/nonrenewal	Franchise Agreement (“FA”) Section 15	Obligations include complete de-identification, non-competition and payment of amounts due, return of confidential or critical business information.
J	Assignment of contract by franchisor	Section 6	No restriction on our right to assign.

	<b>Provision</b>	<b>Section in Developer Agreement</b>	<b>Summary For Developer Agreement</b>
K	“Transfer” by franchisee defined	Section 7	Includes transfer of contract or assets or ownership change. Transfer must be to an “Approved Affiliate”.
L	Franchisor approval of transfer by franchisee	Section 8	Transfers are not permitted except to an “Approved Affiliate” we have the right to approve all transfers in our sole discretion.
M	Conditions for franchisor approval of transfer	Section 8	One of the individual owners of the Approved Affiliate or the Franchisee, if the Franchisee is the parent of the Approved Affiliate, who has a minimum of 15% of the ownership interest in the Approved Affiliate or the Franchisee, shall be designated by the Franchisee to supervise and direct the operations of the Location and each other Location developed hereunder (“Managing Owner”), and general release signed by you, and current agreement signed by new Franchisee.
N	Franchisor’s right of first refusal to acquire franchisee’s Business	FA Section 13	We can match any offer for your Business.
O	Franchisor’s option to purchase franchisee’s Business	FA Section 13	We may purchase Business if Franchise is terminated for any reason by Right of First Refusal.
P	Death or disability of franchisee	FA Section 13	Franchise must be assigned by estate to approved transferee within 120 days.
Q	Non-competition covenants during the term of franchise	FA Section 13	No involvement in competing business anywhere in U.S.
R	Non-competition covenants after the franchise is terminated or expires	FA Section 13	No competing business for 2 years within 5 miles from the boundary of your Protected Territory or from another IMAGE Studios salon (including after assignment).
S	Modification of agreement	FA Section 18	No modifications generally but the Manuals and System are subject to change.

	<b>Provision</b>	<b>Section in Developer Agreement</b>	<b>Summary For Developer Agreement</b>
T	Integration/merger clause	FA Section 12	Only the terms of the DA Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the DA may not be enforceable. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.
U	Dispute resolution by arbitration or mediation	Section 11	Except for certain claims, all disputes must be arbitrated.
V	Choice of forum	Section 11	Arbitration and actions for injunctive relief, claims based on the Marks, or on covenants not to compete must be in the State of Utah (subject to state law).
W	Choice of law	Section 11	Utah law applies (subject to state law).

#### **ITEM 18. PUBLIC FIGURES**

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

#### **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This financial performance representation shown in the tables below contain the historical data for the 20~~20~~<sup>19</sup> calendar year for the ~~7-12~~ franchisee-owned Image Studios Salons that were in operation by March 2020 through 12 months or more as of December 31, 20~~20~~<sup>19</sup> who met our reporting requirements<sup>19</sup>. The first table shows average and median information for total revenue and net income after key operating expenses and royalty expenses the performance for all the units during the reporting period. The second table shows the average number of days the IMAGE Studios salons were shut down in the 2020 calendar year and not receiving studio rent revenue due to government shut down orders. The third table presents average and median construction cost information compared to 2020 total revenue. The fourth table presents average and median rent expense information compared to 2020 total revenue. See the notes following the tables for additional information. These Image Studios Salons are located in urban or suburban areas. Written

substantiation for the financial performance representation will be made available to you upon reasonable request.

The following ~~tables and financial performance Image Studios Franchise Outlet Performance~~ data ~~are~~ our only authorized statements regarding financial results relating to ~~IMAGE Studios~~ ~~our~~ Salons. The data comes from actual historical financial performance information reported to us by our franchisees. Note that these figures have not been audited or prepared in accordance with generally accepted accounting standards and do not meet professional or other standards for complete financial statements.

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

Before signing any binding documents or making any investment, you should make your own independent investigation regarding the possible purchase of an Image Studios Franchise.

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**TABLE 1 – TOTAL 2020 REVENUE AND NET INCOME**

<b>TOTAL 2020 REVENUE</b>	<b>Average</b>	<b>% of total</b>	<b># stores at or above</b>	<b>Median</b>	<b>% of total</b>	<b># stores at or above</b>	<b>High</b>	<b>Low</b>
	<u>\$282,051</u>	<u>100.00%</u>	<u>4</u>	<u>\$272,900</u>	<u>100.00%</u>	<u>6</u>	<u>\$365,254</u>	<u>\$200,137</u>

<b>KEY OPERATING EXPENSES</b>	<b>Average</b>	<b>% of total</b>	<b># stores at or above</b>	<b>Median</b>	<b>% of total</b>	<b># stores at or above</b>	<b>High</b>	<b>Low</b>
<u>Accounting</u>	<u>\$2,497</u>	<u>0.89%</u>	<u>3</u>	<u>\$1,268</u>	<u>0.46%</u>	<u>6</u>	<u>\$11,335</u>	<u>\$0</u>
<u>Advertising</u>	<u>\$8,790</u>	<u>3.12%</u>	<u>5</u>	<u>\$7,797</u>	<u>2.86%</u>	<u>6</u>	<u>\$19,435</u>	<u>\$854</u>
<u>Cleaning Supplies</u>	<u>\$1,630</u>	<u>0.58%</u>	<u>2</u>	<u>\$1,171</u>	<u>0.43%</u>	<u>4</u>	<u>\$5,879</u>	<u>\$0</u>
<u>Insurance</u>	<u>\$1,840</u>	<u>0.65%</u>	<u>4</u>	<u>\$1,756</u>	<u>0.64%</u>	<u>6</u>	<u>\$2,704</u>	<u>\$903</u>
<u>Janitorial</u>	<u>\$4,562</u>	<u>1.62%</u>	<u>7</u>	<u>\$4,890</u>	<u>1.79%</u>	<u>6</u>	<u>\$15,853</u>	<u>\$0</u>
<u>Legal</u>	<u>\$1,235</u>	<u>0.44%</u>	<u>4</u>	<u>\$749</u>	<u>0.27%</u>	<u>6</u>	<u>\$5,044</u>	<u>\$0</u>
<u>Office Supplies</u>	<u>\$812</u>	<u>0.29%</u>	<u>3</u>	<u>\$48</u>	<u>0.02%</u>	<u>5</u>	<u>\$3,865</u>	<u>\$0</u>
<u>Rent &amp; NNN/CAMS Expense</u>	<u>\$130,067</u>	<u>46.11%</u>	<u>5</u>	<u>\$119,406</u>	<u>43.75%</u>	<u>6</u>	<u>\$187,319</u>	<u>\$57,069</u>
<u>Repairs &amp; Maintenance</u>	<u>\$5,337</u>	<u>1.89%</u>	<u>5</u>	<u>\$4,609</u>	<u>1.69%</u>	<u>6</u>	<u>\$14,995</u>	<u>\$1,768</u>
<u>Utilities</u>	<u>\$12,572</u>	<u>4.46%</u>	<u>7</u>	<u>\$13,646</u>	<u>5.00%</u>	<u>6</u>	<u>\$21,610</u>	<u>\$1,794</u>
<b><u>TOTAL KEY OPERATING EXPENSES</u></b>	<b><u>\$169,341</u></b>	<b><u>60.04%</u></b>	<b><u>5</u></b>	<b><u>\$162,590</u></b>	<b><u>59.58%</u></b>	<b><u>6</u></b>	<b><u>\$288,040</u></b>	<b><u>\$62,388</u></b>

<b>ROYALTY EXPENSE</b>	<b>Average</b>	<b>% of total</b>	<b># stores at or above</b>	<b>Median</b>	<b>% of total</b>	<b># stores at or above</b>	<b>High</b>	<b>Low</b>
<u>Royalty Expense (5.5%)</u>	<u>\$15,513</u>	<u>5.50%</u>	<u>4</u>	<u>\$15,009</u>	<u>5.50%</u>	<u>6</u>	<u>\$20,089</u>	<u>\$11,008</u>
<u>BDF Expense (2.0%)</u>	<u>\$5,641</u>	<u>2.00%</u>	<u>4</u>	<u>\$5,458</u>	<u>2.00%</u>	<u>6</u>	<u>\$7,305</u>	<u>\$4,003</u>
<b><u>Total Royalty Expense</u></b>	<b><u>\$21,154</u></b>	<b><u>7.50%</u></b>	<b><u>4</u></b>	<b><u>\$20,467</u></b>	<b><u>7.50%</u></b>	<b><u>6</u></b>	<b><u>\$27,394</u></b>	<b><u>\$15,011</u></b>

<b>2020 NET INCOME AFTER EXPENSES</b>	<b>Average</b>	<b>% of total</b>	<b># stores at or above</b>	<b>Median</b>	<b>% of total</b>	<b># stores at or above</b>	<b>High</b>	<b>Low</b>
	<u>\$109,545</u>	<u>38.84%</u>	<u>3</u>	<u>\$89,843</u>	<u>32.92%</u>	<u>4</u>	<u>\$232,640</u>	<u>\$33,613</u>

## NOTES

There were 12 IMAGE Studios salons that were open by March 2020 and operated through December 2020 during the COVID-19 pandemic and who met our reporting requirements.

- (1) “Total Revenue” consists of all receipts derived by a salon from gross rental receipts and other revenue, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange.

As of April 2021, the average studio rental rate in the system was \$370 per week; the median studio rental rate was \$411 per week. This data comes from the average weekly studio rental rates for the 23 franchised salons that were in operation in April 2021. 10 of the 23 franchises, or 43%, attained or surpassed the stated average studio rental rate; 9 of the 23 franchises, or 39%, attained or surpassed the stated median studio rental rate. The lowest average studio rental rate was \$208 per week; the highest average studio rental rate was \$614 per week.

- (2) “Key Operating Expenses” include the primary and material expenses that IMAGE Studios Salons incur in the operation of their franchised business.

- (3) “Royalty Expense” the 5.5 % Royalty Fee and \$2.0 Brand Development Fee that you will be required to pay to us according to your Franchise Agreement.

- (4) “Net Income After Expenses” is calculated by subtracting the Total Key Operating Expenses AND the Total Royalty Expense from Total Revenue.

- (5) 3 of the franchisees in Utah pay 5.0% royalty. We implemented the Brand Development Fund during the 2020 year, so none of the franchisees disclosed in the tables above were obligated to contribute to the Brand Development Fund during the entire reporting period. The current royalty amount is 5.5% and the current amount for the Brand Development Fund is up to 2%. We have imputed the 5.5% Royalties and 2% Brand Development Fund contributions for all salons in the table, though these franchised salons did not actually pay this amount. You will be expected to pay the Royalties and Brand Development Fund contributions required in your franchise agreement.

- (6) The franchisor allowed some franchisees whose data was used to create this table spend less than the minimum local marketing expenditures. You will be expected to meet your local marketing requirements. See Item 6, above.

**TABLE 2 – 2020 SHUT DOWNS AND CLOSURES**

<u># of days our salons were shut down and not receiving studio rent revenue due to government shut down orders</u>	<u>AVG</u>	<u># stores at or above</u>	<u>MEDIAN</u>	<u># stores at or above</u>	<u>HIGH</u>	<u>LOW</u>
	<u>61</u>	<u>8</u>	<u>54</u>	<u>8</u>	<u>100</u>	<u>31</u>

  

<u>Rent expense paid to landlords for each salon during COVID-19 shutdown</u>	<u>AVG</u>	<u># stores at or above</u>	<u>MEDIAN</u>	<u># stores at or above</u>	<u>HIGH</u>	<u>LOW</u>
	<u>21,737</u>	<u>6</u>	<u>24,314</u>	<u>6</u>	<u>35,635</u>	<u>11,047</u>

**NOTES**

During the COVID-19 pandemic, certain states and localities enacted laws, regulations or mandates that required closure, disruption or other operational limitations or requirements. This table reflects the rent expenses incurred to franchisees who were in operation in 2020 during the COVID-19 government shutdowns and restrictions while no revenue was generated from salon suite rentals.

**TABLE 3 – CONSTRUCTION COSTS AND TOTAL REVENUE**

<u>CONSTRUCTION COST TABLE</u>	<u>AVG</u>	<u># above</u>	<u>MEDIAN</u>	<u># above</u>	<u>HIGH</u>	<u>LOW</u>
<u>TOTAL SQUARE FEET UNDER LEASE</u>	<u>5,338</u>	<u>4</u>	<u>5,100</u>	<u>6</u>	<u>7,915</u>	<u>4,000</u>
<u># STUDIOS</u>	<u>27</u>	<u>4</u>	<u>26.00</u>	<u>5</u>	<u>38.00</u>	<u>20.00</u>
<u>HARD COSTS</u>	<u>500,419</u>	<u>6</u>	<u>487,546</u>	<u>6</u>	<u>712,864</u>	<u>360,571</u>
<u>HARD COST (Per square foot)</u>	<u>92.00</u>	<u>6</u>	<u>90.00</u>	<u>7</u>	<u>117.00</u>	<u>78.00</u>
<u>SOFT COSTS</u>	<u>102,053</u>	<u>5</u>	<u>97,600</u>	<u>6</u>	<u>187,287</u>	<u>17,526</u>
<u>SOFT COSTS (Per square foot)</u>	<u>19.25</u>	<u>5</u>	<u>17.10</u>	<u>6</u>	<u>41.88</u>	<u>3.50</u>
<u>FF&amp;E</u>	<u>128,805</u>	<u>6</u>	<u>116,794</u>	<u>6</u>	<u>188,711</u>	<u>33,508</u>
<u>FF&amp;E (Per square foot)</u>	<u>24.50</u>	<u>5</u>	<u>22.48</u>	<u>7</u>	<u>42.20</u>	<u>6.83</u>
<u>TOTAL CONSTRUCTION COSTS</u>	<u>714,935</u>	<u>5</u>	<u>672,933</u>	<u>6</u>	<u>970,713</u>	<u>544,148</u>
<u>TOTAL CONSTRUCTION COSTS (Per square foot)</u>	<u>135.28</u>	<u>5</u>	<u>131.70</u>	<u>6</u>	<u>177.56</u>	<u>110.96</u>
<u>TIA AMOUNT</u>	<u>145,212</u>	<u>7</u>	<u>147,000</u>	<u>6</u>	<u>332,430</u>	<u>0.00</u>
<u>TIA AMOUNT (Per square foot)</u>	<u>26.23</u>	<u>8</u>	<u>30.00</u>	<u>6</u>	<u>50.00</u>	<u>0.00</u>
<u>NET CONSTRUCTION COST AFTER TIA</u>	<u>569,723</u>	<u>8</u>	<u>596,848</u>	<u>6</u>	<u>754,976</u>	<u>372,508</u>
<u>NET CONSTRUCTION COST AFTER TIA (Per square foot)</u>	<u>109.05</u>	<u>7</u>	<u>113.74</u>	<u>7</u>	<u>148.03</u>	<u>71.16</u>
<u>TOTAL COST PER STUDIO EQUIVALENT</u>	<u>21,491</u>	<u>7</u>	<u>22,076</u>	<u>7</u>	<u>28,230</u>	<u>13,800</u>
<u>TOTAL REVENUE</u>	<u>\$282,051</u>	<u>4</u>	<u>\$272,900</u>	<u>6</u>	<u>\$365,254</u>	<u>\$200,137</u>

**NOTES**

- (1) “Hard Costs” consist of all leasehold improvements less furniture, fixtures and equipment.
- (2) “Soft Costs” consist of architectural, engineering, permitting, general contractor overhead and profit, insurance, etc
- (3) “FF&E” is furniture, fixtures & equipment, which also includes signage
- (4) “Total Construction Costs” is Hard Costs plus Soft Costs plus FF&E.
- (5) “TIA Amount” is “Tenant Improvement Allowance” dollars that may be given by the landlord to assist franchisee with their buildout costs.

- (6) “Total Cost Per Studio Equivalent” is the total net construction cost after TIA divided by the total number of studios for each location  
 (7) “Total Revenue” consists of all receipts derived by a salon from gross rental receipts and other revenue, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange.

**TABLE 4 – RENT EXPENSE AND TOTAL REVENUE**

<u>RENT EXPENSE TABLE</u>	<u>AVG</u>	<u># at or above</u>	<u>MEDIAN</u>	<u># at or above</u>	<u>HIGH</u>	<u>LOW</u>
<u>BASE RENT ANNUALLY</u>	<u>108,363</u>	<u>5</u>	<u>107,100</u>	<u>6</u>	<u>192,000</u>	<u>42,000</u>
<u>BASE RENT (PSF)</u>	<u>20.62</u>	<u>8</u>	<u>22.00</u>	<u>4</u>	<u>31.00</u>	<u>8.00</u>
<u>NNN/CAMS ANNUALLY</u>	<u>30,584</u>	<u>6</u>	<u>29,875</u>	<u>6</u>	<u>58,025</u>	<u>11,970</u>
<u>NNN/CAMS (PSF)</u>	<u>5.88</u>	<u>7</u>	<u>6.00</u>	<u>6</u>	<u>9.80</u>	<u>2.25</u>
<u>FREE RENT DAYS</u>	<u>165</u>	<u>8</u>	<u>180</u>	<u>4</u>	<u>360</u>	<u>0.00</u>
<u>FREE RENT VALUE IN DOLLARS</u>	<u>66,860</u>	<u>7</u>	<u>70,850</u>	<u>6</u>	<u>147,329</u>	<u>0.00</u>
<b><u>TOTAL REVENUE</u></b>	<b><u>\$282,051</u></b>	<b><u>4</u></b>	<b><u>\$272,900</u></b>	<b><u>6</u></b>	<b><u>\$365,254</u></b>	<b><u>\$200,137</u></b>

**NOTES**

- (1) “Base Rent” means the standard monthly amount that a franchisee must pay to the landlord for base rent according to the relevant lease.  
 (2) “NNN/CAMS” refers to property tax, insurance, and common area maintenance fees and costs that franchisee must pay or share according to the relevant lease.  
 (3) “Free Rent” is sometimes given by landlords to tenants and is usually negotiated for a period to cover the time it takes to construct the salon. Free Rent value in dollars is the amount of rent expenses not charged to the tenant during the free rent period (if applicable) during the initial term of their lease agreement.  
 (4) “Total Revenue” consists of all receipts derived by a salon from gross rental receipts and other revenue, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange.

**FRANCHISE OUTLET PERFORMANCE**

**Franchise-owned locations open for 12 months or more as of December 31, 2019**

	<b>Draper, UT</b>		<b>Salt Lake, UT</b>		<b>Sandy, UT</b>		<b>Royal Palm, FL</b>		<b>Holladay, UT</b>		<b>Fort Union, UT</b>		<b>S. Jordan, UT</b>	
<b>SALON STUDIOS</b>	<b>29</b>		<b>27</b>		<b>25</b>		<b>25</b>		<b>26</b>		<b>32</b>		<b>24</b>	
<b>SQUARE FOOTAGE</b>	6,191		5,833		5,000		5,006		4,856		6,224		5,553	
<b>DATE OPENED</b>	JUN 2010		AUG 2011		JUL 2012		DEC 2017		DEC 2017		AUG 2014		JUL 2013	
<b>OCCUPANCY</b>	91%		88%		92%		94%		93%		84%		84%	
<b>INCOME</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>

<b>TOTAL INCOME<sup>1</sup></b>	<b>291,937</b>	<b>100.0%</b>	<b>289,776</b>	<b>100.0%</b>	<b>285,250</b>	<b>100.0%</b>	<b>460,729</b>	<b>100.0%</b>	<b>299,397</b>	<b>100.0%</b>	<b>285,154</b>	<b>100.0%</b>	<b>243,384</b>	<b>100.0%</b>
<b>COGS<sup>2</sup></b>	<b>Amount</b>	<b>%</b>												
Fran Fees (5.5%+2%) <sup>3</sup>	21,895	7.5%	21,733	7.5%	21,394	7.5%	34,555	7.5%	22,455	7.5%	21,387	7.5%	18,254	7.5%
Rent & NNN	137,072	47.0%	148,157	51.1%	118,841	41.7%	158,634	34.4%	108,209	36.1%	153,690	53.9%	118,855	48.8%
Utilities	9,808	3.4%	10,916	3.8%	1,692	0.6%	27,116	5.9%	10,078	3.4%	9,579	3.4%	1,721	0.7%
Insurance	1,770	0.6%	2,122	0.7%	2,172	0.8%	4,390	1.0%	1,618	0.5%	981	0.3%	1,064	0.4%
<b>TOTAL COGS</b>	<b>170,546</b>	<b>58.4%</b>	<b>182,928</b>	<b>63.1%</b>	<b>144,098</b>	<b>50.5%</b>	<b>224,694</b>	<b>48.8%</b>	<b>142,359</b>	<b>47.5%</b>	<b>185,636</b>	<b>65.1%</b>	<b>139,893</b>	<b>57.5%</b>
<b>EXPENSE</b>	<b>Amount</b>	<b>%</b>												
Accounting	653	0.2%	944	0.3%	0	0.0%	10,215	2.2%	5,650	1.9%	0	0.0%	1,627	0.7%
Advertising <sup>4</sup>	21,037	7.2%	4,800	1.7%	5,748	2.0%	20,090	4.4%	8,616	2.9%	4,800	1.7%	5,366	2.2%
Bank Charges	0	0.0%	45	0.0%	1,623	0.6%	347	0.1%	1,178	0.4%	835	0.3%	0	0.0%
Business License	123	0.0%	195	0.1%	191	0.1%	610	0.1%	667	0.2%	39	0.0%	208	0.1%
Cleaning Supplies	1,128	0.4%	1,347	0.5%	348	0.1%	3,306	0.7%	886	0.3%	1,932	0.7%	975	0.4%
Dues/Subscriptions	1,802	0.6%	2,081	0.7%	2,683	0.9%	120	0.0%	2,232	0.8%	1,858	0.7%	4,050	1.7%
Janitorial Expense	6,040	2.1%	8,695	3.0%	5,345	1.9%	8,460	1.8%	5,280	1.8%	5,820	2.0%	5,028	2.1%
Laundry Rental	2,060	0.7%	1,954	0.7%	1,212	0.4%	2,589	0.6%	524	0.2%	2,137	0.8%	1,131	0.5%
Legal Fees	12	0.0%	0	0.0%	0	0.0%	393	0.1%	0	0.0%	150	0.1%	0	0.0%
Other SG&A <sup>5</sup>	2,465	0.8%	1,288	0.4%	35	0.0%	7,561	1.6%	3,081	1.0%	12	0.0%	2,193	0.9%
Postage	0	0.0%	0	0.0%	5	0.0%	235	0.1%	558	0.2%	0	0.0%	0	0.0%
Repairs/Maint.	7,801	2.7%	11,003	3.8%	1,753	0.6%	5,541	1.2%	3,096	1.0%	7,371	2.6%	4,668	1.9%
Travel/Entertainment	6	0.0%	0	0.0%	5	0.0%	2,805	0.6%	0	0.0%	0	0.0%	34	0.0%
<b>TOTAL EXPENSES</b>	<b>43,126</b>	<b>14.8%</b>	<b>32,351</b>	<b>11.2%</b>	<b>18,948</b>	<b>6.6%</b>	<b>62,273</b>	<b>13.5%</b>	<b>31,768</b>	<b>10.6%</b>	<b>24,954</b>	<b>8.8%</b>	<b>25,280</b>	<b>10.4%</b>
<b>EBITDA<sup>6</sup></b>	<b>78,266</b>	<b>26.8%</b>	<b>74,496</b>	<b>25.7%</b>	<b>122,204</b>	<b>42.8%</b>	<b>173,761</b>	<b>37.7%</b>	<b>125,269</b>	<b>41.8%</b>	<b>74,563</b>	<b>26.1%</b>	<b>78,210</b>	<b>32.1%</b>

### FRANCHISE OUTLET PERFORMANCE

Franchise-owned locations open for 12 months or more as of December 31, 2019

	<b>AVERAGE<sup>7</sup></b>	<b># (and %) of Franchisees at or above AVERAGE</b>	<b>MEDIAN<sup>7</sup></b>	<b># (and %) of Franchisees at or above MEDIAN</b>	<b>HIGHEST</b>	<b>LOWEST</b>
<b>SALON STUDIOS</b>	<b>27</b>	<b>3 (43%)</b>	<b>26</b>	<b>4 (57%)</b>	<b>32</b>	<b>24</b>
<b>SQUARE FOOTAGE</b>	<b>5,377</b>	<b>4 (57%)</b>	<b>5,006</b>	<b>4 (57%)</b>	<b>6,224</b>	<b>4,856</b>
<b>OCCUPANCY</b>	<b>89%</b>	<b>4 (57%)</b>	<b>91%</b>	<b>4 (57%)</b>	<b>94%</b>	<b>84%</b>

<b>INCOME</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>		
<b>TOTAL INCOME<sup>1</sup></b>	<b>307,947</b>	<b>100.0%</b>	<b>1 (14%)</b>	<b>289,776</b>	<b>4 (57%)</b>	<b>460,729</b>	<b>243,384</b>
<b>COGS<sup>2</sup></b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>			
Fran Fees (5.5%+2%) <sup>3</sup>	20,017	6.5%	1 (14%)	18,835	4 (57%)	34,555	18,254
Rent & NNN	134,780	43.8%	4 (57%)	137,072	4 (57%)	158,634	108,209
Utilities	10,130	3.3%	2 (29%)	9,808	4 (57%)	27,116	1,692
Insurance	2,017	0.7%	3 (43%)	1,770	4 (57%)	4,390	981
<b>TOTAL COGS</b>	<b>166,943</b>	<b>54.2%</b>	<b>4 (57%)</b>	<b>167,626</b>	<b>4 (57%)</b>	<b>224,694</b>	<b>139,893</b>
<b>EXPENSE</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>			
Accounting	2,727	0.9%	1 (14%)	944	4 (57%)	10,215	0
Advertising <sup>4</sup>	10,065	3.3%	2 (29%)	5,748	4 (57%)	21,037	4,800
Bank Charges	575	0.2%	2 (29%)	347	4 (57%)	1,623	0
Business License	290	0.1%	2 (29%)	195	4 (57%)	667	39
Cleaning Supplies	1,417	0.5%	2 (29%)	1,128	4 (57%)	3,306	348
Dues/Subscriptions	2,118	0.7%	2 (29%)	2,081	4 (57%)	4,050	120
Janitorial Expense	6,381	2.1%	2 (29%)	5,820	4 (57%)	8,695	5,028
Laundry Rental	1,658	0.5%	4 (57%)	1,954	4 (57%)	2,589	524
Legal Fees	79	0.0%	2 (29%)	0	7 (100%)	393	0
Other SG&A <sup>5</sup>	2,376	0.8%	3 (43%)	2,193	4 (57%)	7,561	12
Postage	114	0.0%	1 (14%)	0	7 (100%)	558	0
Repairs/Maint.	5,890	1.9%	3 (43%)	5,541	4 (57%)	11,003	1,753
Travel/Entertainment	407	0.1%	1 (14%)	5	4 (57%)	2,805	0
<b>TOTAL EXPENSES</b>	<b>34,100</b>	<b>11.1%</b>	<b>2 (29%)</b>	<b>31,768</b>	<b>4 (57%)</b>	<b>62,273</b>	<b>18,948</b>
<b>EBITDA<sup>6</sup></b>	<b>106,904</b>	<b>34.7%</b>	<b>3 (43%)</b>	<b>81,185</b>	<b>4 (57%)</b>	<b>173,761</b>	<b>74,496</b>

The following notes apply to both tables above:

<sup>1</sup>“Total Income” means all receipts derived from gross rental receipts and other revenue, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange. Average rental rates for studios in the Salt Lake market range from \$185-\$225 per week for single studios to \$325-\$450 per week for double studios. Average rental rates for studios in Royal Palm, Florida range from \$295-\$325 per week for single studios to \$640-\$690 per week for double studios.—

<sup>2</sup>“COGS” means Cost of Goods Sold, and includes Royalties and Brand Development Fund Contributions (see “Fran Fees” below), rent/lease costs, utilities, and insurance.—

<sup>3</sup>“Fran Fees” refers to Royalties + Brand Development Fund contributions paid to us. 3 of the franchisees in Utah pay 5.0% royalty. None of the franchisees disclosed in the tables above were obligated to contribute to the Brand Development Fund during the reporting period. The current royalty amount is 5.5% and the current amount for the Brand Development Fund is up to 2%. Accordingly, the amounts for Fran Fees (Royalties plus Brand Development Fund contributions) in the table equal a 7.5% of Gross Revenue calculation, though these franchised salons did not actually pay this amount. You will be expected to pay the Royalties and Brand Development Fund contributions required in your franchise agreement.

<sup>4</sup>—The franchisor allowed the franchisees for the Salt Lake and Fort Union location whose data was used to create this table spend less than the minimum local marketing expenditures. We have imputed the minimum \$400 monthly local marketing requirement to the Salt Lake City and Fort Union locations, although they actually spent less than the minimum local marketing requirement during the reporting period. You will be expected to meet your local marketing requirements. See Item 6, above.

<sup>5</sup>—These franchisees accounted for the CRM software, music & media license program, and operations software platform in the “Dues and Subscription” or “Other SG&A” expense categories. You will be expected to meet the requirements related to such software, programs, and platforms.—

Other SG&A expenses also include gifts, pest control, office supplies, software, security, other professional fees, plants, etc.—

<sup>6</sup>“EBITDA” means Total Income minus Total Expenses and reflects earnings before interest, taxes, depreciation, and amortization.—

<sup>7</sup>Average and Median Information. The data and figures outlined in the table above come from the 7 franchised salons that had at least 12 months of operations as of December 31, 2019. All these franchised salons were open and operating for the entire reporting period and reported data for all months.—

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**System-Wide Outlet Summary**  
 As of December 31 For Years ~~2017, 2018, and 2019~~, and 2020 and as of May 31, 2021

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2018	5	7	+2
	2019	7	10	+3
	<u>2020</u>	<u>10</u>	<u>23</u>	<u>+13</u>
	<u>May 2021</u>	<u>23</u>	<u>18</u>	<u>-5</u>
Company/Affiliate Owned	2018	2	0	-2
	2019	0	0	0
	<u>2020</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>May 2021</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Outlets</b>	<b>2018</b>	<b>7</b>	<b>7</b>	<b>0</b>
	<b>2019</b>	<b>7</b>	<b>10</b>	<b>+3</b>
	<u><b>2020</b></u>	<u><b>10</b></u>	<u><b>23</b></u>	<u><b>+13</b></u>
	<u><b>May 2021</b></u>	<u><b>23</b></u>	<u><b>18</b></u>	<u><b>-5</b></u>

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**(Other than the Franchisor)**  
 As of December 31 For Years ~~2017, 2018, and 2019~~, and 2020

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Utah	2018	0
	2019	0
	<u>2020</u>	<u>0</u>
<b>Total</b>	<b>2018</b>	<b>0</b>
	<b>2019</b>	<b>0</b>
	<u><b>2020</b></u>	<u><b>0</b></u>

**Table No 3**  
**Status of Franchised Locations**  
 As of December 31 For Years ~~2017, 2018, and 2019~~, and 2020 and May 31, 2021

Column 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Company	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
<u>California</u>	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Column 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Company	Ceased Operations – Other Reasons	Outlets at End of the Year
	<u>2019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2020</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2021</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Florida	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	<u>2020</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2021</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Nevada</u>	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2020</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2021</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>North Carolina</u>	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2020</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2021</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Oregon</u>	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2020</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2021</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Pennsylvania</u>	<u>2018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2020</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2021</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>0</u>
South Carolina	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	<u>2020</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2021</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Texas	2018	0	0	0	0	0	0	0
	2019	0	2	0	0	0	0	2
	<u>2020</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2021</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Utah	2018	4	2	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	<u>2020</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
	<u>2021</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
<b>Totals</b>	<b>2018</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>

Column 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Company	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
	2019	7	3	0	0	0	0	10
	<u>2020</u>	<u>10</u>	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>
	<u>2021</u>	<u>23</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>18</u>

**Table No 4**  
**Status of Company-Owned Offices**  
**As of December 31 For Years 2018, 2019, and 2020 and May 31, 2021**

Column 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisees	Col. 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year
Utah	2018	2	0	0	0	2	0
	2019	0	0	0	0	0	0
	<u>2020</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	2018	2	0	0	0	2	0
	2019	0	0	0	0	0	0
	<u>2020</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchise Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
<u>Alabama</u>	<u>3</u>	<u>1</u>	<u>0</u>
California	<u>79</u>	0	0
Colorado	6	<u>43</u>	0
Florida	<u>12</u>	1	0
<u>Missouri</u>	<u>3</u>	<u>0</u>	<u>0</u>
Nevada	<u>63</u>	2	0
<u>New Jersey</u>	<u>10</u>	<u>1</u>	<u>0</u>
North Carolina	<u>23</u>	<u>12</u>	0
Pennsylvania	<u>040</u>	<u>16</u>	0

Column 1  State	Column 2  Franchise Agreements Signed but Outlet Not Opened	Column 3  Projected New Franchise Outlet in the Next Fiscal Year	Column 4  Projected New Company-Owned Outlet in the Next Fiscal Year
South Carolina	<u>12</u>	<u>04</u>	0
<del>Tennessee</del>	<del>4</del>	<del>4</del>	<del>0</del>
Texas	<u>127</u>	2	0
<u>Utah</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>Totals</b>	<b><u>5441</u></b>	<b><u>1318</u></b>	<b><u>10</u></b>

Exhibit B contains a complete listing of all current franchisees (and the addresses and telephone numbers of all of their operations) as of December 31, ~~2019~~2020.

Exhibit B also contains a list of the name, city and state, and the current telephone number (or if unknown, the last known home telephone number) of every individual franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within **10** weeks of the issuance date of this disclosure document.

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

The following is a complete listing of all current “company-owned” outlets and the addresses and telephone numbers of all of their operations as of the date of this Disclosure Document:

**None.**

### **Confidentiality Agreements**

Our standard franchise agreement, all renewal and transfer agreements, and all agreements to settle disputes with franchisees, generally contain confidentiality clauses. Thus, all our franchisees have signed a confidentiality clause with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with **IMAGE Studios**. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

### **Associations and/or Organizations**

There are no trademark-specific franchisee organizations associated with the franchise system being offered which we have created, sponsored or endorsed.

There are no independent franchisee organizations that have asked to be included in this disclosure document.

## **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit F are the audited financial statements of IMAGE Studios 360 Franchise, LLC as of December 31, 2020, 2019, and 2018, ~~and 2017~~. Our fiscal year end is December 31.

Exhibit F also includes our April 30, 2021 interim financial statements. THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED THEIR OPINION WITH REGARD TO THE CONTACT OR FORM.

## **ITEM 22. CONTRACTS**

Attached to this Disclosure Document are the following contracts:

EXHIBIT C IMAGE STUDIOS FRANCHISE AGREEMENT  
EXHIBIT D IMAGE STUDIOS DEVELOPMENT AGREEMENT  
EXHIBIT G STATE SPECIFIC ADDENDA

The standard form release agreement that you will be required to sign in certain instances, such as for transfer or renewal, is found in Section 18(M) of the Franchise Agreement.

## **ITEM 23. RECEIPT**

Included as Exhibit H to this Disclosure Document is a detachable Receipt to be signed by you.

**EXHIBIT A**

**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**

**SCHEDULE OF STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	<p>California Commissioner of <u>Financial Protection &amp; Innovation Business-Oversight</u>:</p> <p>Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677</p> <p>Sacramento: <u>2101 Arena Blvd</u><del>1515 K Street, Suite 200</del> Sacramento, CA 958<u>3414-4052</u> (916) 445-7205 or (866) 275-2677</p> <p>San Diego: 1350 Front Street, Suite 2034 San Diego, CA 92101-3697 (619) 525-4233 or (866) 275-2677</p> <p>San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 or (866) 275-2677</p>	<p>Commissioner Department of <u>Financial Protection &amp; Innovation Business-Oversight</u> 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677</p>
CONNECTICUT	<p>Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230</p>	<p>Banking Commissioner 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230</p>
FLORIDA	<p>[Not Applicable]</p>	<p>Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services 2005 Apalachee Pkwy. Tallahassee, Florida 32399-6500 (850)-922-2966 or (850) 488-2221</p>

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
HAWAII	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 548-2021	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices of the Secretary of State Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance Commerce Court 1230 "O" Street, Suite 400 PO Box 95006 Lincoln, NE 68509-5006 (402) 471-3445
NEW YORK	Secretary of State 99 Washington Avenue Albany, NY 11231	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Fl New York, NY 10005 (212) 416-8236
NORTH DAKOTA	North Dakota Securities Department Fifth Floor 600 East Boulevard Bismarck, ND 58505	Franchise Examiner North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex, Bldg. 69-1 Cranston, RI 02920 (401) 462-9527	Associate Director and Superintendent of Securities Securities Division 1511 Pontiac Avenue John O. Pastore Complex, Bldg. 69-1 Cranston, RI 02920 (401) 462-9527
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9672	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 <sup>th</sup> Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 <sup>th</sup> Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

**EXHIBIT B**

**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**

**LISTS OF FRANCHISEES AND CERTAIN FORMER FRANCHISEES**

**CURRENT FRANCHISEES –  
UNITS OPENED AS OF DECEMBER 31, 2020 and MAY 2021**

<b>Location</b>	<b>Name</b>	<b>Business Address</b>	<b>Phone</b>
<u>San Clemente, CA</u>	<u>Suzie &amp; David Bugay</u>	<u>638 Camino de Los Mares E200 San Clemente, CA 92673</u>	<u>(949) 293-6587</u>
Royal Palm Beach, FL	LG Purchasing Group LLC Lenka Ginsburg	11041 Southern Blvd, Suite 120 Royal Palm Beach, FL	(754) 246-8886
<u>Tampa Bay, FL</u>	<u>Bellsim, LLC</u> <u>Hilton Bell &amp; Charles Simon</u>	<u>TBD</u>	<u>727-460-8823</u>
<u>Reno, NV#1</u>	<u>Tim &amp; Lisa Mulks</u>	<u>5093 S McCarran Blvd, Reno, NV 89502</u>	<u>(916) 871-9856</u>
<u>Raleigh, NC</u>	<u>Kevin McNamara</u>	<u>TBD</u>	<u>910-619-2900</u>
<u>Wake Forest, NC</u>	<u>Kevin McNamara</u>	<u>TBD</u>	<u>910-619-2900</u>
<u>Portland, OR</u>	<u>Shaun Broetje</u>	<u>TBD</u>	<u>509-531-1325</u>
Greenville, SC	Joelle & Jack Ray	1607 Laurens Rd., Greenville, SC 29607	(864) 326-5552
<u>Mount Pleasant, SC</u>	<u>Revyve Co.</u> <u>Jeanette &amp; Carson Knizevski</u>	<u>TBD</u>	<u>843-471-4124</u>
<u>Nashville, TN</u>	<u>Grenache Holdings, Inc.</u> <u>Craig Utley</u>	<u>TBD</u>	<u>502-727-7064</u>
Frisco, TX	Christina Nguyenba & Matt Knight	7410 Preston Rd Suite #115, Frisco, TX 75034	(469) 634-6624
Katy, TX	JSK One Development Corp., Jeffrey Kloiber, Shelley Kloiber	1711 Spring Green Blvd., Suite 140, Katy, Texas 77494	(346) 291-6576
Draper, UT	Modern Studios Draper LLC April Benincosa, Spencer Francom, Erin Francom	177 West 12300 South Draper, UT 84020	(801) 603-2667
Fort Union, UT	Modern Studios Draper LLC April Benincosa, Spencer Francom, Erin Francom	7198 S. Union Park Ave Midvale, Utah	(801) 903-4810
Holladay, UT	8Fold LLC Jodie Jorgensen	2233 E. Murray Holladay Rd., Holladay, UT 84117	(801) 668-3819
Salt Lake City, UT	Modern Studios Salt Lake LLC April Benincosa, Spencer Francom, Erin Francom	1850 South 300 West Salt Lake City, UT 84115	(801) 603-2667

Location	Name	Business Address	Phone
Sandy, UT	Modern Studios Sandy LLC April Benincosa, Spencer Francom, Erin Francom	10691 S State Street Sandy, UT 84070	(801) 603-2667
South Jordan, UT	IMAGE Studios South Jordan, LLC	10597 South Redwood Rd South Jordan, Utah 84095	(801) 903-4825

**FRANCHISEES THAT SIGNED A FRANCHISE AGREEMENT  
BUT UNIT NOT YET OPENED – AS OF DECEMBER 31, 2020 and MAY 2021**

Location	Name	Business Address	Phone
<del>San Clemente, CA</del>	<del>Suzie &amp; David Bugay</del>	<del>638 Camino de Los Mares E200 San Clemente, CA 92673</del>	<del>(949) 293-6587</del>
<del>Birmingham, AL #1</del>	<del>Troy Bethune, Jennifer Bethune, Sue Frazier</del>	<del>TBD</del>	<del>(205) 563-4284</del>
<del>Birmingham, AL #2</del>	<del>Troy Bethune, Jennifer Bethune, Sue Frazier</del>	<del>TBD</del>	<del>(205) 563-4284</del>
<del>Birmingham, AL #3</del>	<del>Troy Bethune, Jennifer Bethune, Sue Frazier</del>	<del>TBD</del>	<del>(205) 563-4284</del>
Sacramento, CA #1	Sami Siddiqui	11937 Rising Sun Way, Gold River, CA 95670	(916)420-0058
Sacramento, CA #2	Sami Siddiqui	TBD	(916)420-0058
Sacramento, CA #3	Sami Siddiqui	TBD	(916)420-0058
Sacramento, CA #4	Sami Siddiqui	TBD	(916)420-0058
Sacramento, CA #5	Sami Siddiqui	TBD	(916)420-0058
Sacramento, CA #6	Sami Siddiqui	TBD	(916)420-0058
<del>San Diego, CA #1</del>	<del>Barry Fast, Wendi Fast</del>	<del>TBD</del>	<del>(949) 244-3069</del>
<del>San Diego, CA #2</del>	<del>Barry Fast, Wendi Fast</del>	<del>TBD</del>	<del>(949) 244-3069</del>
<del>San Diego, CA #3</del>	<del>Barry Fast, Wendi Fast</del>	<del>TBD</del>	<del>(949) 244-3069</del>
Arvada, CO	Lee Canady & Niki Hendriks	TBD	303-434-6493
Denver, CO#1	Idea Box Investment Group Stacy Read	TBD	720-272-5390
Denver, CO #2	Idea Box Investment Group Stacy Read	TBD	720-272-5390
Denver, CO #3	Idea Box Investment Group Stacy Read	TBD	720-272-5390

<b>Location</b>	<b>Name</b>	<b>Business Address</b>	<b>Phone</b>
Denver, CO #4	Idea Box Investment Group Stacy Read	TBD	720-272-5390
<del>Lafayette</del> Stapleton, CO	Idea Box Investment Group Stacy Read	TBD	720-272-5390
<u>Littleton, CO</u>	<u>Geoff Hill</u>	<u>TBD</u>	<u>(719) 217-0722</u>
Delray Beach, FL	GG&KIKO, Inc. Gabi & Greg Barouh	TBD	954-599-1849
<del>Tampa Bay, FL</del>	<del>Bellsim, LLC Hilton Bell &amp; Charles-Simon</del>	<del>TBD</del>	<del>727-460-8823</del>
<u>Reno, NV #1</u>	<u>Tim &amp; Lisa Mulks</u>	<u>5093 S McCarran Blvd, Reno, NV 89502</u>	<u>(916) 871-9856</u>
<u>St. Louis, MO #1</u>	<u>Shelly Stengel</u>	<u>TBD</u>	<u>(314) 922-3200</u>
<u>St. Louis, MO #2</u>	<u>Shelly Stengel</u>	<u>TBD</u>	<u>(314) 922-3200</u>
<u>St. Louis, MO #3</u>	<u>Shelly Stengel</u>	<u>TBD</u>	<u>(314) 922-3200</u>
<u>Las Vegas, NV #1</u>	<u>Danielle Gill, David Gill</u>	<u>TBD</u>	<u>(702) 802-8078</u>
<u>Las Vegas, NV #2</u>	<u>Danielle Gill, David Gill</u>	<u>TBD</u>	<u>(702) 802-8078</u>
<u>Las Vegas, NV #1</u>	<u>Courtney Banton, Bill Banton</u>	<u>TBD</u>	<u>(269) 290-5290</u>
<u>Las Vegas, NV #2</u>	<u>Courtney Banton, Bill Banton</u>	<u>TBD</u>	<u>(269) 290-5290</u>
Reno, NV #2	Tim & Lisa Mulks	TBD	(916) 871-9856
Reno, NV #3	Tim & Lisa Mulks	TBD	(916) 871-9856
<u>Camden, NJ #1</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #2</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #3</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #4</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #5</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #6</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #7</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #8</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #9</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Camden, NJ #10</u>	<u>Sean Knapp</u>	<u>TBD</u>	<u>(610) 202-8414</u>
<u>Charlotte, NC</u>	<u>Jonathan Goodwin, Alnessa Goodwin</u>	<u>TBD</u>	<u>(803) 586-2992</u>
<u>Raleigh, NC</u>	<u>Kevin McNamara</u>	<u>TBD</u>	<u>910-619-2900</u>
<u>Wake Forest, NC</u>	<u>Kevin McNamara</u>	<u>TBD</u>	<u>910-619-2900</u>
North Carolina #3	Kevin McNamara	TBD	910-619-2900
<del>Portland, OR</del>	<del>Shaun Broetje</del>	<del>TBD</del>	<del>509-531-1325</del>

<b>Location</b>	<b>Name</b>	<b>Business Address</b>	<b>Phone</b>
Berwyn, PA	Robert J. Keyes & Sue Jaquette	558 Lancaster Ave, Berwyn, PA 19312	(215) 821-8445
Bryn Mawr, PA	Robert J. Keyes & Sue Jaquette	1149 W Lancaster Ave- store 1-5, Bryn Mawr, PA 19010	(215) 821-8445
Center City, PA	Robert J. Keyes & Sue Jaquette	TBD	(215) 821-8445
Doylestown, PA	Robert J. Keyes & Sue Jaquette	TBD	(215) 821-8445
Feasterville, PA	Robert J. Keyes & Sue Jaquette	1045 Bustleton Pike, Feasterville-Treose, PA 19053	(215) 821-8445
Warrington, PA	Robert J. Keyes & Sue Jaquette	TBD	(215) 821-8445
West Chester, PA	Robert J. Keyes & Sue Jaquette	706 E Market St, West Chester, PA 19382	(215) 821-8445
Pennsylvania #8	Robert J. Keyes & Sue Jaquette	TBD	(215) 821-8445
Pennsylvania #9	Robert J. Keyes & Sue Jaquette	TBD	(215) 821-8445
Pennsylvania #10	Robert J. Keyes & Sue Jaquette	TBD	(215) 821-8445
Mount Pleasant, SC	Revyve Co. Jeanette & Carson Knizevski	TBD	843-471-4124
South Carolina #2	Revyve Co. Jeanette & Carson Knizevski	TBD	843-471-4124
Nashville, TN	Grenache Holdings, Inc. Craig Utley	TBD	502-727-7064
Brownsville, TX	Gabriela Green, Herman Askew, Faria Ibrahim	TBD	(309) 242-1629
Dallas, TX #2	Christina Nguyenba & Matt Knight	TBD	(469) 634-6624
Dallas, TX	Lonnie McGowen, Tiffany McGowan	TBD	(469)219-7911
Dallas, TX #1	Rick Gilmartin	TBD	(904) 705-2243
Dallas, TX #2	Rick Gilmartin	TBD	(904) 705-2243
Houston, TX #2	JSK One Development Corp., Jeffrey Kloiber, Shelley Kloiber	TBD	(346) 291-6576

<b>Location</b>	<b>Name</b>	<b>Business Address</b>	<b>Phone</b>
Houston, TX #3	JSK One Development Corp., Jeffrey Kloiber, Shelley Kloiber	TBD	(346) 291-6576
Houston, TX #4	JSK One Development Corp., Jeffrey Kloiber, Shelley Kloiber	TBD	(346) 291-6576
Houston, TX #5	JSK One Development Corp., Jeffrey Kloiber, Shelley Kloiber	TBD	(346) 291-6576
Houston, TX #6	JSK One Development Corp., Jeffrey Kloiber, Shelley Kloiber	TBD	(346) 291-6576

**FRANCHISEES THAT HAD AN OUTLET TERMINATED, CANCELED,  
NOT RENEWED, OR OTHERWISE LEFT THE SYSTEM  
– BETWEEN JANUARY 1 AND DECEMBER 31, ~~2019~~2020**

None

**FRANCHISEES HAD AN OUTLET TERMINATED, CANCELED,  
NOT RENEWED, OR OTHERWISE LEFT THE SYSTEM  
AFTER DECEMBER 31, 2020 AS OF MAY 31, 2021**

<b><u>Location</u></b>	<b><u>Name</u></b>	<b><u>Business Address</u></b>	<b><u>Phone</u></b>
<u>Berwyn, PA</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>558 Lancaster Ave, Berwyn, PA 19312</u>	<u>(215) 821-8445</u>
<u>Bryn Mawr, PA</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>1149 W Lancaster Ave store 1-5, Bryn Mawr, PA 19010</u>	<u>(215) 821-8445</u>
<u>Center City, PA</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>TBD</u>	<u>(215) 821-8445</u>
<u>Doylestown, PA</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>TBD</u>	<u>(215) 821-8445</u>
<u>Feasterville, PA</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>1045 Bustleton Pike, Feasterville-Treose, PA 19053</u>	<u>(215) 821-8445</u>
<u>Warrington, PA</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>TBD</u>	<u>(215) 821-8445</u>
<u>West Chester, PA</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>706 E Market St, West Chester, PA 19382</u>	<u>(215) 821-8445</u>
<u>Pennsylvania #8</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>TBD</u>	<u>(215) 821-8445</u>

<u>Location</u>	<u>Name</u>	<u>Business Address</u>	<u>Phone</u>
<u>Pennsylvania #9</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>TBD</u>	<u>(215) 821-8445</u>
<u>Pennsylvania #10</u>	<u>Robert J. Keyes &amp; Sue Jacquette</u>	<u>TBD</u>	<u>(215) 821-8445</u>

**EXHIBIT C**  
**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

# Franchise Agreement

## Image Studios 360 Franchise, LLC

A Utah Limited Liability Company

~~1370 South 2100 East 551 West 400 North, Suite 101~~

Salt Lake City, Utah 8410816

(888) 785-7858 – Phone

(801) 618-4058 – Fax

info@imagestudios360.com

[www.imagestudiosfranchise.com](http://www.imagestudiosfranchise.com)

**IMAGE** S T U D I O S<sup>®</sup>

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## IMAGE Studios Franchise Agreement

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Location

\_\_\_\_\_  
Date of Agreement

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## IMAGE STUDIOS FRANCHISE AGREEMENT

This Franchise Agreement (the “Agreement”) is made and entered into as of \_\_\_\_\_ by and between Image Studios 360 Franchise, LLC, a Utah limited liability company, with its principal place of business at 1370 South 2100 East 551 West 400 North, Suite 101, Salt Lake City, Utah 8410816 (“we”, “us”, the “Company” or “Franchisor” or “IMAGE Studios”) and \_\_\_\_\_, (“you” or “Franchisee”) whose principal address is \_\_\_\_\_ [address]. The Company and Franchisee are sometimes collectively referred to in this Agreement as the “Parties.”

### 1. INTRODUCTION

#### A. IMAGE STUDIOS SALONS AND IMAGE PRO SERVICES.

We own, operate, and franchise IMAGE Studios Salons, an upscale, modern and creative business model that licenses individual turn-key salon studios and provides our various beauty, facilities, and operational products and services (the “IMAGE Pro Services”) to independent professionals including hair stylists, estheticians, nail techs, massage therapists and other salon professionals under the trademark “IMAGE Studios” in a salon mall setting using our innovative build-out system (the “System” or the “IMAGE Studios System”). We and or our Affiliates, have developed and own a comprehensive system for developing and operating IMAGE Studios Salons, which includes trademarks, distinctive building designs and layouts, modern décor and color schemes, industry-specific equipment, rental space sources, advertising methods and strategies, specifications and procedures for quality control, methods of inventory control, marketing materials, services and programs and certain operational and business standards and policies, all of which we may improve, further develop or otherwise modify.

#### B. YOUR ACKNOWLEDGEMENTS.

You have read and understood this Agreement, our Franchise Disclosure Document, and all agreements relating to these documents. You acknowledge that you have had ample time and opportunity to consult advisors of your own choosing about the potential benefits and risks of entering into this Agreement. You understand the terms, conditions, and covenants of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high-quality standards at all IMAGE Studios Salons to protect and preserve the goodwill of the Marks and the integrity of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the salon industry is highly competitive. You recognize that the nature of IMAGE Studios Salons may change over time, that an investment in IMAGE Studios Salon involves business risks and that the success of the venture is largely dependent on your own business abilities, efforts, and financial resources.

#### C. YOUR REPRESENTATIONS.

You and your Principal Owners, jointly and severally, if applicable, represent and warrant to us that: (1) neither you nor any of your Principal Owners has made any untrue statement of any material fact or has omitted to state any material fact in the written information you have submitted in obtaining the rights granted hereunder; (2) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as you have otherwise completely and accurately disclosed in writing to us in connection with obtaining the rights granted hereunder; and (3) the signing and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have signed this Agreement in reliance on all of the statements you and your Owners have made in writing in connection with this Agreement.

### 2. GRANT OF RIGHTS.

#### A. GRANT OF FRANCHISE.

You have applied for the right to own and operate an IMAGE Studios Salon (the “Salon”) at and only at, the specific location defined in the Site Selection Addendum, attached hereto as Exhibit 7 (the “Premises”). Subject to the terms and conditions of this Agreement, we grant you a non-exclusive right to operate your Salon

at the Premises and to use the Marks in the operation of the Salon in accordance with the System Standards (the “**Franchise**”). During the Initial Term, as defined in Section 2B below, the Company will not operate (directly or through an Affiliate), nor grant to another person the right to operate, any IMAGE Studios Salons located within two miles of the Premises, or as otherwise defined in the Site Selection Addendum attached as Exhibit 7.

Notwithstanding the foregoing, we have the right to operate (directly or through an Affiliate), and to grant to others the right to operate, within the Designated Area and elsewhere: (1) IMAGE Studios Salons or other salons using any part or all of the System Standards and/or Marks that are: (i) located within other retail outlets, such as other salons, salon-supply stores, malls, big box retailers, fitness centers, gyms, grocery stores, supermarkets, and other channels of distribution; or (ii) located at transportation facilities (such as airport facilities or inter-MSA train and/or bus stations), colleges or universities (collectively “Special Locations”); and (2) salon services establishments (including other non-IMAGE Studios Salons) that we purchase that are part of another franchise system or chain, regardless of whether any or all of them are converted to IMAGE Studios Salons or continue to be operated independently; (3) other establishments that we purchase or acquire that are not directly related to the leasing of salon studios for beauty professions.

You have no right to construct or operate any additional, expanded or modified facilities on the Premises, nor any right to construct or operate an IMAGE Studios Salon at any location other than at the Premises. In addition, you have no right to sublicense pursuant to this Agreement.

**B. INITIAL TERM.**

The initial term of this Agreement will be the longer of: (1) 10 years, commencing on the date of this Agreement; or (2) the end of the initial term of the lease for the Premises (the “Initial Term”). This Agreement may be renewed as provided in Section 2C. This Agreement may be terminated before expiration of its term if: (i) the lease or sublease of the Premises is terminated, or you otherwise lose the rights to occupy the Premises, or (ii) this Agreement is otherwise terminated in accordance with Section 14. References in this Agreement to the “Term” of this Agreement mean the initial term and any renewal term.

**C. RENEWAL.**

If you are not in default at the time of exercise of a renewal option and at the time the prior term expires, you shall have the right, subject to the conditions contained in this Section, to renew this Agreement for your Salon on the terms and conditions of our then-current form of the Franchise Agreement, for an additional term as outlined in the then-current franchise agreement, if upon expiration of the Term:

(i) You give us written notice of your desire to renew your Agreement not less than six months nor more than twelve months before the expiration of the Agreement;

(ii) You sign our then-current form of Franchise Agreement that may include different Royalty Fees, marketing fees and other fees and charges, and changes in performance criteria and in other terms and conditions, and our then-current Renewal Rights to this Franchise Agreement, which shall, among other things, establish that the Franchise Agreement is for a renewal term with no additional renewal rights, and contain a general release of any and all claims against us or our Affiliates and our and their respective officers, directors, attorneys, shareholders and employees;

(iii) At our request, you refurbish, remodel, redecorate, and renovate your Salon at the commencement of the renewal term to meet our then-current System Standards, including designs and service systems, trade dress and our then-current site criteria;

(iv) You have complied with all of the material terms and conditions of this Agreement or any other agreement between you and us during the initial term; and you and your Owners have been in substantial compliance with this Agreement throughout the Term;

(v) All monetary obligations owed by you to us, our Affiliates or your suppliers or creditors, whether pursuant to this Agreement or otherwise, have been satisfied before renewal, and have been paid in a timely manner throughout the Term; and

(vi) You have the right to continue to lease or own the location of the Premises for the duration of the renewal term.

(vii) You have not committed three (3) or more material breaches of this Agreement in the preceding twenty-four (24) months prior to expiration.

If you have the right to renew, you must pay the then-current renewal fee, currently \$5,000 per renewal per location, at the end of the Initial Term. We retain the right to change your fee for any renewal of your Agreement.

We will give you notice, not later than 30 days after receipt of your election to renew, of our decision whether or not you have the right to renew this Agreement pursuant to this Section 2C.

Failure by you (and your Owners) to sign these agreements and releases within 30 days after delivery to you shall be deemed an election by you not to renew the franchise for your Salon.

#### D. OUR RESERVATION OF RIGHTS.

Except as otherwise expressly provided in this Agreement, we and our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation, or otherwise) retain all of our rights and discretion with respect to the Marks, the System, and IMAGE Studios Salons anywhere in the world, and the right to engage in any business whatsoever, including the right to: (1) except within the protected radius surrounding your Salon, operate, and grant to others the right to operate, IMAGE Studios Salons at locations and on terms and conditions as we deem appropriate (you acknowledge that these IMAGE Studios Salons may be in direct competition with your Salon, without regard to any adverse effects of these activities on your Salon and without any obligation or liability to you); and (2) sell any products or services under any trade names, trademarks, service marks or trade dress, including the Marks, through other channels of distribution (including wholesale distribution of merchandise to salons, Internet, catalogs, smartphone applications, and other outlets). You acknowledge and agree that, except as expressly provided to the contrary in Section 2A hereof, your rights hereunder shall be non-exclusive. You waive, to the fullest extent permitted under law, all claims, demands or causes of action arising from or related to any of the foregoing activities by us or any of our Affiliates.

We also reserve the right to use the Marks and System to sell any salon equipment and beauty supplies, retail products, and other goods, which are similar to those products and services offered by the Franchised Business. This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale sale to unrelated franchises, or over the Internet, or through smartphone applications, or through other forms of electronic media (including social technology, social media and social networking platforms). The Internet is a channel of distribution reserved exclusively to Franchisor, and Franchisee may not independently market on the Internet or conduct e-commerce. Franchisor has the sole right to market and sell on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. Franchisee may not separately register any domain name, or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media using the Marks unless Franchisee first obtains written approval from Franchise. Franchisee's general conduct on the Internet or other forms of electronic media, including Franchisee's use of the Marks or any advertising, is subject to the terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may identify from time to time.

Additionally, we reserve the right to purchase or be purchased by, or merge with, or combine with, or affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any businesses

of any kind that competes directly with Franchisee's Franchise wherever located, including, without limitation, any business that offers products or services the same as or similar to those offered by Franchisee under the System and proprietary marks, within or outside the protected territory.

We also reserve the right to implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to Customers or potential Customers anywhere, as set forth in Section 9. In such a program, Franchisee will have the option of servicing any Customer within its Protected Territory. Franchisor also reserves the right to issue mandatory policies to coordinate such multi-area marketing programs.

### **3. DEVELOPMENT AND OPENING OF THE SALON.**

#### **A. SITE SELECTION.**

We will furnish you with our standard site selection criteria and assistance for IMAGE Studios Salons, as we periodically may establish and modify. Upon execution of this Agreement, you must pay us the Site Development Fee, as described in Section 6, below. You may also at times, and at our discretion, be required to utilize the services of an Approved Supplier, to assist you in ascertaining the most viable site for your IMAGE Studios Salon. We may also provide such on-site evaluation of sites proposed pursuant hereto as we deem necessary or appropriate. If we deem it necessary to provide an on-site evaluation of the proposed site, you must coordinate and arrange for the visit by our representative, agent or Approved Supplier and may be required to pay the related travel expenses. These expenses may include airline and other transportation costs, meals, lodging and salaries.

You must lease, sublease or purchase the Premises within 180 days after signing this Agreement. You have the one-time option to extend this date for up to an additional 200 days on payment of a \$1,900 "Additional Time to Open Fee." Upon payment of the Additional Time to Open Fee, the deadline for the lease, sublease, or purchase of the Premises and the deadline to have the Salon opened to the public (as outlined in Section 3(C) below) shall automatically extend by 200 days. If either of new, extended deadlines is not met, then we may terminate this Agreement and retain all fees paid. We must approve the terms of any lease, sublease or purchase contract for the Premises, and you must deliver a copy to us for our approval before you sign it. You agree that any lease or sublease for the Premises must, in form and substance be satisfactory to us; and it must include all of the provisions set forth in Exhibit 4. You may not sign a lease, sublease or purchase contract or any modification thereof without our written approval. Our approval of the Premises is based upon, and made in reliance on, information you furnish and representations you make to us with respect to the size, appearance and other physical characteristics of the Premises, photographs of the Premises, and demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics (including the purchase price, rental obligations, and other lease terms). Our approval of the Premises, lease, sublease, or purchase contract, and any information communicated to you regarding the Premises do not constitute an express or implied representation or warranty of any kind, including, but not limited to, its fairness or as to the suitability of the Premises for an IMAGE Studios Salon or as to your ability to comply with the terms of the lease or for any other purpose. Our approval of the Premises, lease, sublease or purchase contract indicates only that we believe that the Premises falls within our criteria as of the time period encompassing the evaluation. We do not, by virtue of approving the Premises, lease, sublease or purchase contract, assume any liability or responsibility to you or to any third parties. You acknowledge that you have the sole responsibility for obtaining the advice of your own professional advisors before you lease, sublease, or purchase the Premises. This franchise agreement cannot be terminated due to failure to agree on a site selection.

Upon submission of a proposed site for the Salon, you agree that you may be required to pay to us or our Designated Supplier (which may be an affiliate) a lease review fee in the amount of between \$1,000 and \$3,000, depending on the amount of review required ("Lease Review Fee"). The Lease Review Fee pays the expenses incurred by us and/or our attorneys to review and (if we so choose) to negotiate certain provisions of the lease. You agree that you are not a third-party beneficiary of the lease negotiation or review. You agree that any Lease Review will not constitute an express or implied representation or warranty of any kind, as to its fairness or as to the suitability of the Lease for an IMAGE Studios Salon or as to your ability to comply with the terms of the lease

or for any other purpose. You agree that we do not guarantee that the terms, including rent, will represent the most favorable terms available in that market. We may charge you only one (1) Lease Review Fee unless you refuse to or do not sign a lease that we have certified as acceptable for the Salon, and we then are required to engage in one or more additional lease reviews for the Salon, in which case you may have to pay us or our Designated Supplier a Lease Review Fee for the first lease review as well as an additional Lease Review Fee for each additional lease review. Franchisor encourages Franchisee to seek independent counsel from a lawyer or business advisor to assist Franchisee in negotiating a lease for the Franchised Business.

If a site for your Salon has not been agreed upon by the Parties by the time this Agreement is signed, we will approve a site for your Salon in accordance with the provisions found in this Section 3A and you must sign and comply with the Site Selection Addendum attached as Exhibit 7:

(1) You must submit to us, in accordance with procedures we periodically establish, a complete site proposal form, (the "Site Proposal Package"), containing demographics information, traffic patterns, access, visibility, location of other salons (including other IMAGE Studios Salons) and size, condition, configuration, appearance and other physical characteristics of the site and all other information that we reasonably require for each site for an IMAGE Studios Salon that you propose to develop and operate and that you in good faith believe to conform to our then-current standard selection criteria for IMAGE Studios Salons;

(2) We will approve or reject each site for which you submit to us a complete Site Proposal Package in accordance with Section 3A(1) and, if we approve the site, we will do so by delivering our standard Site Approval Letter. Our Site Approval Letter, duly signed by us, is the exclusive means by which we approve a proposed site. We will use all reasonable efforts to make a site approval decision and, if the site is approved, deliver a Site Approval Letter to you within 30 days after we receive the complete Site Proposal Package and any other materials we have requested. In deciding whether to approve or reject a site you propose, we may consider the factors as we, in our sole discretion, deem appropriate, including the general location and neighborhood, demographics information, traffic patterns, access, visibility, location of other salons (including other IMAGE Studios Salons) and size, condition, configuration, appearance and other physical characteristics of the site. Our approval of a proposed site does not constitute a warranty or representation of any kind, express or implied, as to the suitability of the proposed site, but merely signifies that we are willing to grant the right to a franchise for an IMAGE Studios Salon at that location in accordance with the terms of this Agreement. Your decision to develop and operate an IMAGE Studios Salon at any site is based solely on your own independent investigation of the suitability of the site for an IMAGE Studios Salon. In consideration of our approval of a proposed site, you and your Owners agree to release us, and our Affiliates, shareholders, members, officers, directors, employees, agents, successors and assigns from any and all loss, damages and liability arising from or in connection with the selection and/or approval of this site for the development of an IMAGE Studios Salon.

(3) You must provide any other information or materials as we may require, such as a letter of intent or other document which confirms your favorable prospects for obtaining the proposed site.

**B. ACQUISITION OR LEASE OF PREMISES.**

Unless you own the Premises, you must obtain any necessary lease or sublease for the Premises. Unless we otherwise agree in writing, we will not assist you in the process of obtaining and/or negotiating a lease or sublease for the Premises. In any event, you must obtain our approval of the terms of the lease or sublease, or purchase contract or any modification thereof, for the Premises before signing the lease or sublease. You agree that any lease or sublease for the Premises must, in form and substance satisfactory to us, include all of the provisions set forth on Exhibit 4, unless otherwise approved by us. You agree to indemnify and hold us and our Affiliates harmless from any breach of the lease even though we or one of our Affiliates may elect to assume the lease upon your termination.

If you, one of your Owners, or one of your Affiliates at any time owns the Premises, you must immediately notify us and we may require that you or this Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatsoever reason) of the Franchise Agreement, to lease the Premises at fair market rental rates for a term coterminous with the term of the Franchise Agreement for these Premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminous with the term of the Franchise Agreement for these Premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then-current lease and the sublease forms used by us.

If the lease for your Salon is terminated, at no fault of Franchisee, before the end of the Term, you may move your Salon to another location chosen in accordance with our site evaluation and approval process found in Section 3A. The new location (1) must be in the original Salon's Designated Area, as determined by us, (2) must be legally available pursuant to federal and state law; (3) must be in compliance with our franchise placement standards and guidelines; and (4) may in no case infringe upon a franchise agreement or other agreement applicable to another Salon.

If you lose possession of your Salon's Premises because the lease expired by its terms, or on account of condemnation or eminent domain proceedings, you must initiate the relocation procedure in time to lease, build-out and open your Salon for business within 60 days after the original Salon closes. If your lease is terminated on account of a fire or other casualty, you must initiate the relocation procedure in time to lease, build-out and open your Salon for business within 120 days after the lease for the original Salon terminates.

#### C. DEVELOPMENT OF THE SALON.

You must construct and develop the Salon and pay for all expenses associated with it and for compliance with the requirements of any applicable federal, state, or local law, code or regulation, including those concerning the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. Once you have executed your lease for the premises, you will obtain the building design from your landlord and have your architect do a site survey to verify dimensions, from which a floor plan will be created. The architect that you use must be approved by us. Before your architect begins work on your full-set plans, construction documents, and engineering, according to our specifications, you must utilize an architect designated by us to draft a preliminary test fit floor plan for you which your architect will use as the basis for your space. You must directly pay the architect that we designate the cost for this preliminary test fit floor plan (currently ~~\$350250~~). Additional changes you request that we approve to this floor plan will be billed at an hourly rate set by the architect. Once this is completed, it will be sent back to your architect who will begin a full set of plans, construction documents and engineering. If there are changes needed to the general layout of the preliminary test fit floor plan, your architect will highlight those changes and send them back to us for review and approval. Once the changes have been incorporated, your architect will send back the Floor Plan to us for final review and sign-off. We will send the revised approved plan back to your architect to complete a full set of plans, construction documents, and engineering. You or your architect must send a full set of digital "As-Built" plans in PDF format to us upon completion/prior to construction beginning. Our review is not designed to assist with compliance with local ordinances and building codes, including ADA standards and requirements, or obtaining any required permits and is limited to review of such plans to assess compliance with our design standards. It will be you and your architect's responsibility to assure compliance with the requirements of any federal, state, or local laws, codes or regulations. You must modify the Design to ensure that it and all specifications comply with all applicable ordinances, ADA requirements, building codes, permit requirements, and any lease requirements and restrictions.

You will then submit the floor plan and specifications to our vendors for bidding on the furniture, fixtures, equipment and signs. You will gather the quotes from the vendors and compile a summary and email it along with the complete bids to us. Once you are ready to purchase your furniture, fixtures, equipment, and signs, you will request a deposit invoice from each vendor and forward copies of all such deposit invoices to us for our review and record. You will be responsible for payment directly to the vendor. You will have 30 days to pay

the amount contained in the bids in accordance with the vendor's instructions. We shall have the right to supervise and inspect all construction to ensure that all is proceeding as set out in the Design and specifications. You are not authorized to make any changes to the Design and/or specifications without our approval.

We will furnish guidance to you in developing the Premises as we deem appropriate. We may periodically inspect the Premises during its development. These approvals and inspections shall be solely for the purpose of assuring compliance with our standards and shall not be construed as any express or implied representation or warranty that your Salon complies with any applicable laws, codes or regulations or that the construction thereof is sound or free from defects. The Design and all prototype and modified plans and specifications for your Salon remain our sole and exclusive property, and you may claim no interest.

Without limiting the foregoing, you will do or cause to be done the following with respect to development of the Salon: (1) obtain all required construction and sign permits and licenses; (2) complete the construction of all required improvements to the Premises and decorate the Premises; (3) purchase and install all fixtures, furnishings, equipment, signs, and the opening inventory and operating supplies and other materials from sources approved or designated by the Company; and (4) obtain all required financing in connection with development of the Salon. Unless extended after payment of the Extension Fee outlined above, you acknowledge and agree that you must complete development of and have the Salon opened to the public within the earlier of: (i) 180 days after the Company gives its approval of the Premises and all required construction permits and licenses; and (ii) 300 days after you sign this Agreement. If you have paid to us the Extension Fee outlined above, you must complete development of and have the Salon opened to the public within 480 days after you sign this Agreement. Failure to timely open shall subject the Franchise Agreement to termination under Section 14. If you have not obtained legal possession of the Premises within 90 days of the date of Site Approval Letter, we have the right to retract this approval. You must start construction of your Salon within 60 days after you have leased, subleased or acquired the Premises. You must employ a general contractor acceptable to us. We will provide you with the contact information for general contractors that we have approved. If you choose to use a general contractor that is not on our list, you must first obtain our written approval. You must procure all applicable construction insurance in amounts and coverages acceptable to us. You must open your Salon within 10 days after the date construction is completed and all necessary approvals have been obtained. Any extensions of time are subject to our approval. You must provide us with weekly progress reports during the construction phase.

The requirement to complete construction of your Salon includes obtaining all required construction and occupancy licenses and permits, developing the Premises (including all outdoor features and landscaping of the Premises), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have your Salon ready to open for business. Your Salon may not be opened for business until we have notified you that your Salon meets our requirements for opening. Franchisee acknowledges and agrees that it may not open the Franchised Business for business without the written authorization of Franchisor, and that Franchisor's authorizations to open will be conditioned upon Franchisee's strict compliance with this Franchise Agreement.

Following the opening of your Salon, you have 60 days to provide us with a complete and full detailed statement of construction costs in a format prescribed by us. You must sign verification that the information in this statement is complete and accurate.

Notwithstanding anything to the contrary contained in this Section 3C, you shall not be deemed to be in breach of this Section 3C if your failure to start construction, finish construction or open your Salon as provided above results solely from natural disasters or terrorist acts. Any delay resulting from any of these causes shall extend performance accordingly, in whole or part, as may be reasonable, except that no such causes shall extend performance more than 90 days without prior written consent, which consent may be withheld in our sole discretion.

D. FURNISHINGS, FIXTURES, EQUIPMENT AND SIGNS; DEVELOPMENT SERVICES.

You must purchase or lease all required furnishings, fixtures, equipment and signs for your Salon. You must purchase, lease, or use in the development and operation of the Salon only those brands, types or models of fixtures, furnishings, signs, supplies, services, and equipment and the design, architectural and construction services that the Company has approved. As discussed above, you must purchase all fixtures, furnishings, equipment, signs, and the opening inventory and operating supplies and other materials from sources approved or designated by us and we will provide to you the names of our approved vendors. Upon receipt by you of bids from such vendors, you will have 30 days to pay the amounts set forth on the bids for your furnishings, fixtures, equipment and signs. You will need to work with each vendor to make the deposit payment according to the individual vendor's payment terms. No vendors will order or ship any furnishings, fixtures, equipment or signs until payment has been received. Occasionally, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of this modification, reorder any type, brand or model from any supplier that is no longer approved. After your Salon opens, you agree not to alter its fixtures, equipment, signs, or furniture without our express prior written approval. You also agree to not allow any salon professional who may lease one of your salon studios to alter the fixtures, equipment, signs or furniture within their respective studio.

If you would like to purchase any required items from another supplier, you may request our "Supplier Approval Criteria and Request Form." Based on the information and samples you are required to supply to us, we will test the items supplied and review the proposed supplier's business reputation, delivery performance, credit rating and other information. There is a \$250 fee to you for this review and there is no guarantee that we will approve of any request. We may require you to ship the proposed item(s) to us for further inspection. We expect to complete our review and advise you of our decision within 30 days after you submit the required information. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. We will make any approvals of new vendors or revoke approval of vendors in writing based on the vendor's credit worthiness, delivery standards, and cost and will incorporate our decision in the Manuals. The specifications and standards for these required purchases are in the Manuals.

You further agree to place or display at the Premises of the Salon only such signs, emblems, marketing materials, lettering, and logos that are periodically approved in writing by the Company. You must display in your Salon all (1) product identification materials; (2) point-of-purchase promotional materials; (3) promotional memorabilia, merchandise and prizes; and (4) other advertising and marketing materials we provide you pursuant to Section 10 of this Agreement.

In operating your Salon, you must establish and maintain a bookkeeping, accounting, record keeping and data processing system conforming to the requirements and formats that we prescribe; including, a common chart of accounts and methodology format, submission process and timeline, and you must use the operational data control system approved by us, as further detailed in the Manuals. You must furnish us periodic reports as outlined and in a timely manner as noted in the "Records, Reports, and Financial Statements" Section of this Agreement below, which include and are not limited to, sales activity reports, occupancy reports, gross revenue reports, and profit and loss statements and balance sheets.

You must also purchase a back-office computer system with the appropriate hardware and software. You must purchase the appropriate word processing, spreadsheet, internet browser, anti-virus, firewall, spyware protection and any other software we may choose to require. We also require that you use our recommended property management/accounting software that we designate and pay the requisite fees associated with this software.

You must provide assistance as may be required to connect your Salon's computer system with our centralized computer systems. We shall have the right to periodically retrieve this data and information from your computer system deemed necessary or desirable, and you must fully cooperate with these efforts. In view of the contemplated interconnection of computer systems and the necessity that these systems be compatible with each

other, you agree that you will comply strictly with all defined standards and specifications for items associated with your computer system.

To ensure operation efficiency and optimum communication capability among computer systems installed at IMAGE Studios Salons, you agree, at your expense, to keep your computer systems in good maintenance and repair, and to promptly install these upgrades, additions, changes, modifications, substitutions, and/or replacements of hardware, software, data connectivity, electrical power, and other computer-related facilities, as we direct.

You must upgrade or replace financial and inventory data processing and communications systems to conform with current security requirements and system upgrades, whenever we require it. You will be responsible for the cost of such upgrades. You will not, however, be required to upgrade your hardware or software more than once a year.

IMAGE Studios reserves the right to charge a Technology Fee on a monthly basis for custom or proprietary software that we may develop in the future.

E. SALON OPENING.

You will prepare and furnish to the Company an opening advertising and promotional plan and budget for the Salon which will contain a plan and budget for publicity, advertising, promotion, staffing, decoration and operation during the Opening Period (“Grand Opening Plan”). You must submit a Grand Opening Plan (including the budget) to us for approval at least 90 days before your Salon’s targeted Grand Opening date. You must use the types of advertising media specified in the Grand Opening Plan and the Manuals. You must spend not less than One thousand five hundred Dollars (\$1,500) for advertising and promotion of the opening of the Salon (the “Grand Opening Expenses”). The Grand Opening Expenses will be for materials and marketing services expenses—such as media costs—and will not include staffing costs. You must submit proof of then current advertising and marketing expenditures to us 10 days before the opening of your salon and again 60 days after opening. Your Grand Opening Plan must be implemented 60 days before your Salon’s targeted Grand Opening date and for 60 days following the commencement of the Salon’s Grand Opening event. The Grand Opening date will occur at such time as your Salon reaches 65% occupancy or within 8 months of your opening date, whichever occurs first.

If you request that one or more of the Company’s personnel or if you (or any of your Affiliates) have not previously owned or managed an IMAGE Studios Salon, we will provide you with opening operational assistance as we deem appropriate to assist you in starting your operations, including on-site opening assistance, as scheduled by us. You may be required to pay for the expenses of personnel, including airline and other transportation costs, meals, lodging and salaries.

4. TRAINING AND GUIDANCE.

A. TRAINING.

Upon signing your Franchise Agreement, you and/or your Operating Partner, Store Manager, Assistant Manager(s), or any of your designated Personnel must successfully complete the appropriate certified training programs before opening your Salon. Thereafter, any person who replaces your ~~operations personnel~~~~Operating Partner, Store Manager~~ or any other trained Personnel must successfully complete the appropriate certified training program before assuming the particular position. We may require you (or your Operating Partner) and other Personnel to attend and successfully complete periodic or additional training programs.

We provide mandatory training for up to two people, including, you and/or Operating Partner, Store Manager and other necessary personnel as part of the initial franchise fee described below, virtually or at our

training facility or one of our corporate-affiliated Salons in Salt Lake City, Utah, or at another facility that we designate. Additional personnel that ~~wish to~~ attend training will be charged a fee of \$250 per person, per module. You are, ~~however,~~ responsible for all compensation and expenses (~~including training materials, travel, meals, lodging and incidental expenses~~) for you and your trainees during these training programs. Each personnel working in operations must attend the training program and ~~initial salon Store Manager and Assistant Manager~~ must successfully complete an IMAGE Studios certification test at the end of ~~each~~ the training module~~period~~. If the operations personnel~~Operating Partner or Store Manager~~ does not pass the training then they are not able to operate within the business~~open~~. If franchisee~~they~~ run their salon with ~~an~~ uncertified operations personnel~~Store Manager or Assistant Manager(s)~~, they would be in breach of their Franchise Agreement. You must immediately replace any individual who fails to successfully complete the any training program. This replacement personnel must also successfully complete the training program.

Subsequent operations personnel~~managers~~ will also be required to satisfactorily complete all phases of our training program. Under no circumstances shall you permit management of the Salon by a person who has not completed all phases of our training program to our satisfaction. We have the right to charge a fee for the training for subsequent operations personnel~~managers~~, which you must pay at least 10 days before beginning of training.

In addition to this training, if this Agreement pertains to the opening of your first IMAGE Studios Salon, we will provide you, at your option, with at least one IMAGE Studios certified trainer selected by us for on-site training associated with its opening. We will not charge you a training fee for this assistance, but we may require you to pay for the reasonable living expenses and transportation costs during this on-site training period.

We may periodically require or permit you to implement, at your expense, programs for the training of all or some of your Personnel. Before training any of your Personnel, your training programs must be certified by us as meeting our standards. You must periodically obtain re-certification of your training programs; and we may withhold certification if we determine, in our sole discretion, that your training programs do not meet our standards.

#### B. REFRESHER TRAINING.

We have the right to require you, your Operating Partner, and/or previously trained and experienced operations personnel ~~managers and other employees~~ to attend periodic refresher courses or additional training and support at the times and locations that we designate. We have the right to charge fees for refresher training courses. We also may (but are not required to) make additional training available to you at your request and may charge a fee for additional training. You are responsible for all compensation and expenses (including training materials, travel, meals, incidental expenses, and lodging) for you and your trainees during these training programs.

#### C. HIRING AND TRAINING OF EMPLOYEES BY FRANCHISEE.

You must be responsible for all employment decisions with respect to your staff, including hiring, firing, compensation, training, supervision and discipline, regardless whether you receive advice from us on any of these subjects. You are required, however, to follow the guidelines provided for this hiring, in the Manuals. You may not recruit or hire any person who is an employee of ours or of any IMAGE Studios Salon operated by us, our Affiliates or another franchisee of ours without obtaining the respective employer's consent, which consent may be withheld for any reason. Likewise, we may not recruit or hire any person who is an employee of yours or your Affiliates without obtaining the employer's consent, which consent may be withheld for any reason. You must maintain at all times a staff of employees, who have been trained pursuant to our guidelines and requirements, sufficient to operate the Salon in compliance with the System Standards.

#### D. GUIDANCE.

Although the Company does not have the obligation to do so, the Company may maintain a continuing advisory relationship with you, including consultation in the areas of marketing, Salon operations and customer service. The Company may advise you periodically of operating problems of the Salon disclosed by reports submitted to or inspections made by the Company and may furnish to you guidance in connection with methods and procedures used by IMAGE Studios Salons, including improvements and changes to the System Standards. This guidance shall, in the discretion of the Company, be furnished in the form of the Company's Manuals or business practices for IMAGE Studios Salons, electronic mail, IMAGE Studios Intranet site (i.e. www.imagestudios360.com) imagestudios360.com, bulletins, other written materials, telephone consultations and/or consultations at the office of the Company or at the Salon or by any other means of communications. At your request, we may provide special assistance for which you must pay per diem fees and charges we may establish occasionally.

We may hold periodic regional or national conferences to discuss on-going changes in the industry, operational techniques, studio rental developments, personnel training, bookkeeping, accounting, advertising programs and new service procedures. You are required to attend these conferences. Our National Convention takes place once a year and currently costs \$1000 per franchise, which covers you and one additional person. If you do not attend the convention the \$1,000 fee is still required and you will be provided with all of the training materials from the Convention. These conferences will be held at our corporate headquarters or at another location chosen by us. We estimate the cost of the travel and living expenses to attend the conferences to be between \$500 and \$2,500. We may provide other conferences from time to time, and you may be required to pay a conference fee for these additional conferences based upon the direct costs to us of retaining speakers and other direct expenses associated with the conference, but we estimate this cost to be no more than \$250 per person. You must pay all of the travel and living expenses for you and any other employees who attend.

#### E. MANUALS.

We will loan to you during the term of this Agreement one copy of each of our Salon Startup Manual, Accounting Manual, Marketing ~~&~~ Recruiting ~~&~~ CRM Manual, Marketing Software Manual, Operations Manual, Design & Construction manual, ~~and the Special~~ Operations - COVID-19 Playbook, ~~and the IMAGE Pro Business Manual~~ (collectively the "Manuals"). We have the right, at our option, to furnish or make available to you the Manuals in the form of ~~paper copies~~, electronic copies accessed through the Internet or other communication systems, paper copies or electronic copies on a USB device or other external storage device(s), ~~or electronic copies accessed through the Internet or other communication systems~~. Franchisor reserves the right to require Franchisee to use the Manuals in only an electronic format. The Manuals contain mandatory and suggested specifications, standards and operating procedures that we prescribe for IMAGE Studios Salons, and contains information relating to your other obligations under this Agreement. You must comply fully with all mandatory standards, specifications, and operating procedures and other obligations contained in the Manuals. We have the right to modify the Manuals in the future to reflect changes in the image, specifications, standards, procedures, system, and System Standards. You must keep current the Manuals. If a dispute develops relating to the contents of the Manuals, our master copy of the Manuals that are held digitally at Franchisor's headquarters will be controlling. The Manuals contain Confidential Information, and you agree not to copy at any time any part of the Manuals, either physically or electronically, provided that you may print out one current copy of any Manuals that we provide in electronic format and keep it at the premises of your Salon. ~~If your copy of any of the Manuals is lost, destroyed or significantly damaged, you must obtain from us, at our then applicable charge, a replacement copy of any of the Manuals.~~ You agree not to allow unauthorized persons access to the IMAGE Studios franchise login site www.imagetudios360.com (the "Franchise Website"). Unauthorized use of the Manuals or the System will constitute a breach of this Agreement and an infringement of our proprietary rights, including trade secrets and copyrights. You must promptly report any unauthorized use of the Manuals or other Confidential Information to us immediately.

5. THE MARKS.

A. OWNERSHIP AND GOODWILL OF THE MARKS AND TRADE SECRETS.

You acknowledge that the Company and its Affiliate (“**Licensor**”) are owners of certain rights to the Marks, that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by you pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by the Company periodically during the term of the Franchise. Any unauthorized use of the Marks by you shall constitute a breach of this Agreement and an infringement of the rights of the Company and/or Licensor in and to the Marks. You acknowledge and agree that all usage of the Marks by you and any goodwill established by it shall inure to the exclusive benefit of the Company and/or Licensor and that this Agreement does not confer any goodwill or other interests in the Marks upon you (except the right to operate an IMAGE Studios salon in compliance with this Agreement). All provisions of this Agreement applicable to the Marks shall apply to any additional proprietary trade and service marks and commercial symbols authorized for use by and licensed to you by the Company. You acknowledge that as of the date of the Franchise Agreement, some or all of the Marks may not have been registered with any state or federal agency. You may not at any time during or after the Term contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks.

You hereby acknowledge that Franchisor or one or more of Franchisor's affiliates own and control the distinctive plan and trade secrets for establishing, operating, and promoting IMAGE Studios Salons and all related licensed methods of doing business which include, but are not limited to, technical salon equipment standards; customer relations; marketing techniques and content; written promotional materials, salon studio pricing guides, leasing strategies, Manuals contents; advertising strategies; financial reports and financial dashboards; and accounting systems; all of which constitute trade secrets and may have been licensed to Franchisor, and you acknowledge that Franchisor and its Affiliates have valuable rights in and to these trade secrets. You further acknowledge all innovations, additions, or improvements made to the Marks or System Standards, even if by you, shall belong to Franchisor and/or its Affiliates.

B. LIMITATIONS ON FRANCHISEE’S USE OF THE MARKS.

You must use the Marks as the sole identification of the Salon, provided that you are identified as the independent owner in the manner prescribed by the Company. You must use only the Marks as we prescribe in connection with your Salon and the sale of authorized services and products. You shall ensure that all Copyrights used hereunder shall bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws prescribed by us. Any unauthorized use, adaptation, publication, reproduction, preparation of derivative works, distribution of copies (whether by sale or other transfer or ownership, or by rental, lease or lending), or attempts to recreate all or a portion of these Copyrights shall constitute a breach of this Agreement and an infringement of the rights of the Company and/or Licensor in and to the Marks and to the Copyrights. You shall not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or trade name or any Internet-related use such as an electronic media identifier, for websites, web pages or domain names not expressly authorized by us in writing, or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you under this Agreement), or in any modified form or in any other manner; nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by the Company. You must prominently display the Marks in the manner prescribed by the Company and give notices of trade and service mark registrations as the Company specifies and to obtain fictitious or assumed name registrations as may be required under applicable law. In addition to all other rights we may have regarding unauthorized use of the Marks or the sale of unauthorized products or services, you must reimburse us for any damages, liability or expenses incurred by us arising out of your sale of any unauthorized product or service. If any of the fees payable pursuant to Section 6 are for the right to use the System Standards, these fees are all-inclusive and are not allocated among any of the various rights, including the Marks or any components of the Marks, that compromise the System Standards.

Franchisor retains the sole right to market and sell on the Internet and use the Marks to market on the Internet, including all use of Web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, and co-branding and other arrangements, and in all other forms of electronic media. Franchisee may not: (i) establish a presence on the Internet except as we may specify, and only with our prior written consent; (ii) separately register any domain name or any portion of a domain name containing the Marks; or (iii) participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless Franchisee first obtains written approval from Franchisor. Franchisee's general conduct on the Internet or other forms of electronic media, including Franchisee's use of the Marks or any advertising, is subject to the terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may identify from time to time. Subject to this Section below, Franchisee may use the Marks for advertising using social media and Craigslist but must first obtain Franchisor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Franchisee must sign any Internet and intranet usage agreements when developed by Franchisor. Franchisor retains the right to approve or disapprove any linking to or other use of the Web site.

You and your Entity Owners acknowledge that we are the lawful, rightful, and sole owner of www.imagestudios360.com and www.imagestudiosfranchise.com domain names and unconditionally disclaim any ownership interest in that phrase or any similar Internet domain name. You and your Entity Owners agree not to register any Internet domain name in any class or category that contains the words IMAGE Studios or 360 or any abbreviation, acronym, or variation of those words.

Should any new domain extensions become available in the future, including but not limited to, ones such as .salon, .beauty, or other domain extensions that may be relevant to the type of activity at an IMAGE Studios salon that may become available in the future, you agree to not register those domain extensions with likeness or similarity to any domain name we have listed above. Any domain name and extension you wish to register must first be approved by us in writing.

You and your Entity Owners agree to use the IMAGE Studios Website, in strict compliance with the standards, protocols and restrictions we include in the Manuals. You and your Entity Owners agree to implement all reasonable procedures we periodically prescribe to prevent unauthorized use and strict compliance with the standards, protocols and restrictions we include in the Manuals regarding the use of the Franchise Website among your Salon's Operating Partners, general managers, assistant managers, and the like.

#### C. NOTIFICATION OF INFRINGEMENT AND CLAIMS.

You shall immediately notify the Company of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you shall not communicate with any person other than the Company and its counsel in connection with any infringement, challenge or claim. The Company and/or Licensor shall have sole discretion to take action as it or they deem appropriate and shall have the right to exclusively control any litigation or U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all instruments and documents, render assistance and do such acts and things as may, in the opinion of the Company's or Licensor's counsel, be necessary or advisable to protect and maintain the interests of the Company and Licensor in any litigation or proceeding or to otherwise protect and maintain the interests of the Company and Licensor in the Marks.

#### D. INDEMNIFICATION OF FRANCHISEE.

The Company agrees to indemnify you against and to reimburse you for all damages for which you are held liable in any proceeding arising out of his use of any Mark, pursuant to and in compliance with this Agreement and for all costs reasonably incurred by you in the defense of any claim or in any proceeding in which you are named as a party, provided that you have timely notified the Company of this claim or proceeding and have otherwise complied with this Agreement. The Company is entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and if the Company undertakes to

prosecute, defend and/or settle any matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

E. DISCONTINUANCE OF USE OF THE MARKS.

If it becomes advisable at any time in the Company's sole discretion for the Company and/or Franchisee to modify or discontinue use of any Mark and/or use one or more additional or substitute elements of the Mark due to priority of use by another party of the same or a confusingly similar mark, and/or use one or more additional or substitute trade or service marks, you must comply within 14 days after notice by the Company of its modification or discontinuance of any Mark. Neither the Company, Licensor nor any of their Affiliates shall have any liability or obligation whatsoever with respect to any required modification or discontinuance of use of any of the Marks or the promotion or use of a substitute Mark, except as otherwise provided in Section 5D hereof.

6. FRANCHISE FEES.

A. INITIAL FRANCHISE FEE.

You shall pay to the Company a nonrecurring and nonrefundable initial franchise fee of ~~\$54,750~~**\$49,750** payable when you sign this Franchise Agreement (the "Franchise Fee"). The Franchise Fee shall be fully earned by the Company.

If we determine that you, your Owner Operator, or your ~~operations personnel general manager~~ did not or cannot satisfactorily complete our entire initial training program, we will refund the Franchise Fee less all reasonable expenses incurred by us in providing any training that you received, in preparing the Franchise Agreement and all related agreements, site review and approval, and any other services performed by us regarding the grant of the Franchise, or the establishment or development of your Salon. However, the total refund will not exceed 50% of the Franchise Fee. We will make this refund to you upon your signing all releases, waivers and other agreements necessary to terminate the Franchise Agreement and relationship between you and us. We do not offer refunds of the Franchise Fee under any other circumstances.

B. SITE DEVELOPMENT FEE

In addition to the Initial Franchise Fee paid to us, you must pay us a "**Site Development Fee**" of \$6,500 for each Unit that you purchase. This fee offsets our costs in supporting your efforts to find and develop a permanent site. The Site Development Fee is payable at the same time as the Initial Franchise Fee. The Site Development Fee is non-refundable and is fully earned by the Company.

C. ROYALTY FEES.

Beginning after the 2<sup>nd</sup> full month from the date of your salon opening for business or twelve (12) months after you execute this Agreement, whichever occurs first, you shall pay to the Company a continuing fee equal to 5.5% of the Gross Revenues of the Salon or \$250 per week, whichever is greater (the "**Royalty Fee**") as described in this Section. Payment shall be due weekly on Friday by 5:00 p.m., MST, or on the same day that you process your EFT payments and rent for the salon professionals at your Location, or as otherwise designated by us, but not more frequently than weekly (or on such other reasonable date that we shall periodically designate). Any payment or report not actually received by us on or before this date shall be deemed overdue. If any state imposes a sales or use tax on continuing royalties, then you must pay for or reimburse us for these taxes imposed on the Royalty Fee due to us under this Agreement.

As set forth under Section 3D, you acknowledge that we have the right to transfer information from your Salon's systems via a remote-access, e-mail, web-based programs and protocols, Internet, the Franchise Website, or other types of electronic data transfer to determine your Salon's Royalty Fee for the previous Reporting Period. "**Gross Revenues**" shall mean the total of all receipts derived from gross rental receipts and other revenue, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange. If applicable to your revenue type, Gross Revenue excludes only sales tax receipts that you must by law collect from

customers and that you actually pay to the government, promotional or discount coupons to the extent that Franchisee realizes no revenue, and employee receipt of services, if free, or any portion not paid for by an employee.

**D. INTEREST AND LATE FEES.**

If any payment is overdue, you shall pay to us, in addition to the overdue amount, interest on this amount from the date it was due until paid, at a rate which is stated below, or the maximum rate permitted by law. Entitlement to this interest shall be in addition to any other remedies we may have. Your failure to have sufficient funds available in the designated account in an amount equal to any amount then due or your failure to pay all amounts when due, constitutes grounds for termination of this Agreement, as provided in Section 14 and 15, notwithstanding the provisions of this Paragraph. To compensate the Company for its increased administrative costs of handling late payments, the Company shall have the right to charge a fee of \$100 for each delinquent payment to the Company, due upon making the delinquent payment. All Royalty Fees and advertising contributions, and all other amounts which you owe to the Company shall also bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed 1.5% per month. You acknowledge that this Paragraph shall not constitute the Company's agreement to accept these payments after same are due or commitment by the Company to extend credit to, or otherwise finance your operation of, the Salon.

**E. APPLICATION OF PAYMENTS.**

Notwithstanding any designation by you, the Company shall have the sole discretion to apply any payments by you to any past due indebtedness by you for Royalty Fees, advertising contributions, purchases from Company, interest or other indebtedness. All such payments to the Company shall be made by automatic withdrawal (ACH) from an account designated by you. All costs and expenses of establishing and maintaining this designated account, including transaction fees, shall be paid by you. You must complete any form necessary to authorize and direct your bank or financial institution to pay and deposit any payments due to the Company directly to the Company's account. The Company's current form of EFT authorization is attached as Exhibit 6. You must maintain sufficient funds in its account to cover all such withdrawals. If sufficient funds are not available in the designated bank account at the time of an electronic transfer to pay fees that are due to us or our Affiliates, we will charge a service fee of \$50, subject to applicable law. Also, as stated in Section 6C, you acknowledge that your failure to have sufficient funds available in the designated account in an amount equal to any amount then due, constitutes grounds for termination of this Agreement, as provided in Sections 14 and 15, notwithstanding the provisions in Section 6C. You agree that you will not withhold payment of any amount due and payable to us on the grounds that we have not performed any of our obligations under this Agreement. Any amounts owed due to insufficient funds will also be subject to late fees as disclosed in the paragraph above, as well as additional accrued interest expense on delinquent amounts.

Additionally, we reserve the right to charge up to a 3.75% service fee for any payments made to franchisor with a credit card.

**7. YOUR ORGANIZATION AND MANAGEMENT.**

**A. ORGANIZATIONAL DOCUMENTS.**

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Principal Owners represent, warrant, and agree that: (1) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state in which your Salon is located; (2) you have the authority to sign and deliver this Agreement and to perform your obligations hereunder; (3) true and complete copies of the articles or certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control ("Organizational Documents") shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (4) any and all amendments, deletions and additions

to your Organizational Documents shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (5) your activities are restricted to those necessary solely for the development, ownership and operation of IMAGE Studios Salons in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates; (6) the certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (7) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to these restrictions; and (8) you will deliver to us a Secretary/Clerk's Certificate or other evidence satisfactory to us, that the signing, delivery and performance of this Agreement and all other agreements and ancillary documents contemplated hereby or thereby have been duly authorized by all necessary action by your corporation, partnership, limited liability company or other legal entity, as applicable.

**B. DISCLOSURE OF OWNERSHIP.**

If Franchisee is an entity (a corporation, general partnership, joint venture, limited partnership, limited liability partnership, limited liability company, trust, estate or other business entity), then Franchisee will complete the Ownership Addendum attached as Exhibit 2, which identifies each of its Entity Owners, and each of its Entity Owners must sign the Company's then-current form of Personal Guaranty. "**Entity Owner**" means, with respect to an Entity, any shareholder owning directly or beneficially 10% or more of any class of securities of the Entity; any general partner or co-venturer in the Entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially 10% or more of the ownership interests in the limited liability partnership or limited liability company; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, 10% or more of the interests in the trust or estate. It is the intent of this definition to "trace back" and include within the definition of Entity Owner all natural persons owning the requisite interests to qualify as Entity Owners. Each of you, your Entity Owners, if any, and your and their respective spouses, parents, brothers, sisters, children, whether natural or adopted, and other members of their immediate household, are considered "**Restricted Persons**" as this term is used herein.

You and each of your Principal Owners represent, warrant and agree that Exhibit 2 is current, complete and accurate. You agree that an updated Exhibit 2 will be furnished within 30 days of any change, so that Exhibit 2 (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes a Principal Owner must sign a guaranty in the form we may choose to prescribe, undertaking to be jointly and severally bound by the terms of this Agreement, the current form of which is attached as Exhibit 3. Each person who is or becomes an Owner, but not a Principal Owner, must sign an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in this Agreement, the current form of which is attached as Exhibit 5. Each Owner must be an individual acting in their/his/her individual capacity, unless we waive this requirement.

**C. OPERATING PARTNER/MANAGEMENT OF BUSINESS.**

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in Exhibit 2 as the "Operating Partner" an individual approved by us who must: (1) in our discretion, own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 10% interest in your equity; (2) have the authority to bind you regarding all operational decisions with respect to your IMAGE Studios Salon(s); and (3) have completed our training to our satisfaction.

You (or your Operating Partner): (1) shall exert your full-time and best efforts to the development and operation of your Salon and all other IMAGE Studios Salons you own; and (2) may not engage in any other business activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder.

D. STORE OPERATING PERSONNEL MANAGER.

An essential element of the Salon is the selection, training, and overall performance of ~~our operating personnel store managers~~. Optimum ~~operating personnel store manager~~ performance requires specialized salon leadership in the form of a duly trained ~~operating personnel store manager~~ (we provide the appropriate training). To ensure the integrity and quality of IMAGE Studios ~~our~~ Salons, the ~~operating personnel store manager~~ must be available to assist the salon professional at your location as needed during business hours. We may periodically change the organizational structure of the Salon; in which case you must adopt the then-current structure.

Once you hire your ~~operating personnel store manager~~ you must inform us in writing and submit ~~them/him/her~~ for the appropriate training. If your ~~operating personnel store manager~~ ~~is~~ terminated, for whatever reason, you shall inform us in writing of ~~their his/her~~ status. Before ~~their his/her~~ employment, you must have ~~them/him/her~~ sign an agreement that ~~they/he/she~~ shall not for a period of two years after this termination, recruit or hire any person who is an employee of yours, ours, or any IMAGE Studios Salon operated by us, our Affiliates, or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason.

8. IMAGE STUDIOS OPERATING STANDARDS.

A. CONDITION OF YOUR SALON.

You must maintain the condition and appearance of your Salon in accordance with the Manuals. You must maintain your Salon's condition and appearance and make modifications and additions to its layout, décor, operations, and general theme as we periodically require, including interior and exterior repair and appurtenant parking areas, periodic cleaning of your Salon premises, replacement of worn out or obsolete leasehold improvements, fixtures and signs and periodic redecorating. If at any time the general state of repair, appearance, or cleanliness of your Salon, or its fixtures, equipment, furniture or signs, does not meet our standards, we may notify you and specify the action you must take to correct this deficiency. If, within 10 days after receiving this notice, you fail or refuse to initiate the requested action(s), we reserve the right to enter the Premises and do this maintenance on your behalf and at your expense. You must promptly reimburse us for this expense. We may collect payment for this expense by pre-authorized electronic bank transfer from your general account.

At our request, approximately five years after this Agreement becomes effective, you must complete any renovation, repair, modernization, and improvement of your Salon and its fixtures, equipment, furniture, and signs as we may deem appropriate. This work may include, without limitation, replacement or addition of signs, equipment, furnishings, fixtures, finishes, and décor items, both interior and exterior, and redesign of the layout of your Salon, to reflect the then-current design standards and look of an IMAGE Studios Salon. The maximum amount you must spend on this mid-term refurbishment work is Ninety Thousand Dollars (\$90,000).

You agree not to make any material replacements of or alterations to the Premises, leasehold improvements, layout, fixtures, furnishings, signs, equipment, or appearance of the Salon as originally developed in accordance with the plans and specifications furnished by us without prior written approval by us. Regular maintenance, touch up, and general repair may be conducted without prior authorization from us unless the effort to do so requires a substantial change in the appearance and/or reduce the functionality of said item.

B. UNIFORM IMAGE.

You must display in your Salon all (1) product identification materials; (2) point-of-purchase promotional materials; (3) promotional memorabilia, merchandise and prizes; and (4) the advertising and marketing materials we provide you pursuant to Section 10 for use by Salons. Your Salon may not be used for any purpose, other than the operation of an IMAGE Studios Salon in compliance with this Agreement. You agree that your Salon will offer courteous and efficient service and a pleasant ambiance, consistent with your acknowledgments in Section 1B. You must ensure that all of your Salon's independent salon professionals leasing studios in your Salon follow our standards of operations and appearance in accordance with the Manuals, developed or approved by us. You must maintain your Salon's business hours and days of operation in accordance with the Manuals, unless we grant you a written exception. We may require you to play certain music or other media in your Salon

and you will be charged for your pro-rata share of any licensing or media streaming fees for music or media for your Salon.

C. SERVICES AND PRODUCTS OFFERED.

You shall abide by our standards, specifications, and guidelines to offer, sell, and provide the IMAGE Pro Services to salon professionals at your Salon. You acknowledge and agree that the reputation and goodwill of IMAGE Studios Salons are based on, and can be maintained only by, the sale of distinctive high quality products and services as well as the ability to provide high-end, high quality retail space for lease and high quality products and services and use and subscription packages to salon professionals that allows them to service their clients from within their studio space. Therefore, you agree that your Salon will use and/or offer for sale only services, products and merchandise, as set forth in the Manuals or as otherwise approved by us. You will ensure that the salon professionals at your Location only provide such products and services to the public that are authorized and approved by us. We may periodically modify the list of approved services, brands and/or suppliers in our sole discretion. After notice of this modification, you may not offer any services, brands or reorder from any supplier that is no longer approved. Franchisee is prohibited from offering to license, rent, lease or otherwise permit the use of salon studios, other space within the Premises, chairs, booths, rooms or other items not authorized by Franchisor as being a part of the System.

If you propose to offer or sell any services or products that is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning this services or product so that we can decide whether this complies with our specifications and standards. Upon submission of such a request, you must pay to us a review fee in the amount of \$250 per request. Payment of this fee is non-refundable and does not guarantee that the requested will be approved. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement.

We may conduct market research to determine consumer trends and salability of new services and products. You must cooperate by participating in our market research programs; by test marketing new products and services in your Salon and providing us timely reports and other relevant information regarding this market research. Additionally, we may also provide retail product sales opportunities to your salon professionals at your Salon. We may also partner with salon supply stores and retail product manufacturers and distributors in the future. Such retail partnerships may include in-store advertising displays.

We may also provide vending products and supplies that you will sell in your salon and you are prohibited from installing any other vending machines without our written approval.

D. IN THE FUTURE, WE MAY IMPLEMENT A CENTRALIZED PURCHASING SYSTEM FOR YOU AND NEGOTIATE PRICES AND TERMS WITH SUPPLIERS FOR YOUR BENEFIT. SPECIFICATIONS AND STANDARDS.

You acknowledge that each and every aspect of the interior and exterior appearance, layout, décor, services and operation of your Salon is important to us and is subject to our specifications and standards. Consequently, you must comply with all mandatory System Standards and other specifications, standards and operating procedures and other obligations that we periodically prescribe (whether contained in the Manuals or any other written or oral communication to you), unless we grant you a written exception. More particularly, you must comply with all mandatory specifications, standards and operating procedures, as periodically modified relating to the appearance, function, cleanliness or operation of an IMAGE Studios Salon, including: (1) leasing procedures and customer service; (2) advertising and promotional programs; (3) qualifications, appearance of independent salon professionals and their employees; (4) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of your Salon and its fixtures, equipment, furnishings, décor and signs; (5) days and hours of operation; (6) bookkeeping, accounting, and record keeping systems and forms; (7) training system for both management and hourly associates; and (8) product ordering procedures.

You must display at the location in your Salon that we designate, a placard of the size and dimension we prescribe containing the following statement: "This Salon is owned and operated by a franchisee under a license from IMAGE Studios Franchise." You shall never make a statement or representation to any person that is contrary to or inconsistent with Section 5 of this Agreement.

As soon as you obtain a telephone number for the Salon, you will sign and deliver to us the Assignment of Telephone Number(s) for the number(s) attached at Exhibit 8. If your Salon's telephone number changes during the Term, or if you add additional lines for a modem, fax, or other purposes, you will promptly sign and deliver to us a new Assignment of Telephone Number(s) for the new or additional number(s).

E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Salon (including any certifications and licenses) and shall operate the Salon in full compliance with all applicable laws, ordinances and regulations including all government regulations relating to occupational hazards and health, workers compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. You shall, in all dealings with the Salon Studios professionals, and respective employees, customers, suppliers, the Company and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You must refrain from any business or advertising practice which may be injurious to the Company and the goodwill associated with the Marks and other IMAGE Studios Salons. You shall immediately notify the Company in writing of: (1) any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency other governmental instrumentality, which may adversely affect the development, occupancy, operation or financial condition of Franchisee or the Salon; or (2) the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health or sanitation at your Salon.

F. PERSONNEL.

Your Salon must at all times be under the direct, on-premises supervision of a store or assistant manager who has completed ~~and~~ our training program. You (or your Operating Partner) at all times must remain active in overseeing the operations of your Salon. If the relationship with your Operating Partner terminates, you must promptly hire a successor Operating Partner. Any successor Operating Partner must meet our approval and must successfully complete our training program. You are solely responsible for the leasing decisions regarding your Salon Studios, regardless whether you receive advice from us on any of these subjects. You may not recruit or hire any person who is an employee of ours or of any IMAGE Studios Salon operated by us, our Affiliates or another franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason. Likewise, we may not recruit or hire any person who is an employee of yours or your Affiliates without obtaining the employer's consent, which consent may be withheld for any reason.

G. INSURANCE.

You must maintain in force: (a) Property Coverage that includes all-risk property insurance, including fire and extended coverage, vandalism, and malicious mischief insurance, for the replacement value of your IMAGE Studios Salon and its contents; including business interruption insurance; (b) Commercial General Liability and Product Liability insurance; (c) Workers' Compensation insurance; and (d) Umbrella Liability. All insurance policies must: name Image Studios 360 Franchise, LLC and our Affiliates as additional insureds under the General Liability and Products Liability Policies and loss payee under the Property Policy, Image Studios 360 Franchise, LLC, must also be endorsed to all policies noted above to receive 30 days' notice of cancellation in the event of non-renewal and 10 days' notice in the event of nonpayment of premium. You must also provide certificates of insurance evidencing your insurance coverage in compliance with these minimums no later than 10 days before your Salon opens and within 30 days each year when your policies renew.

Set forth below are types of minimum coverage amounts that we currently require for each franchised IMAGE Studios Salon per location:

**COMMERCIAL GENERAL**

**LIMITS:**

Occurrence Limit	\$1,000,000
General Aggregate Limit:	\$2,000,000
Products/Completed Operations Aggregate Limit:	\$2,000,000
Personal and Advertising Injury Limit:	\$1,000,000
Damage to Premises Rented to You:	\$500,000

**WORKERS' COMPENSATION:**

Workers' Compensation: STATUTORY

**UMBRELLA LIABILITY:**

Commercial Umbrella	\$2,000,000 per occurrence \$2,000,000 aggregate
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Upon 30 days prior notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional kinds of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

If you at any time fail or refuse to maintain in effect any insurance coverage required by the Company, or to furnish satisfactory evidence of it, the Company, at its option and in addition to its other rights and remedies under this Agreement, may, but need not, obtain this insurance coverage on behalf of you, and you shall promptly sign any application or other forms or instruments required to obtain any insurance and pay to the Company, on demand, any costs and premiums incurred by the Company. At our request, you must furnish us with evidence of insurance coverage and payment of premiums as we require.

Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations under Section 16B.

**H. PROVISIONS CONCERNING COMPLIANCE WITH ANTI-TERRORISM LAWS.**

You, your Owners and your Affiliates 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 this compliance, you, your Owners and your Affiliates certify, represent, and warrant that none of your property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you, your Owners, and your Affiliates are not otherwise in violation of any of the Anti-Terrorism Laws.

For the purposes of this Section 8H, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

You, your Owners and your Affiliates certify that none of you, your Owners and your Affiliates, your employees, or anyone associated with you is included on the lists to Executive Order 13224. You agree not to hire any individual who is listed in any such list. (The list is available at <http://www.treasury.gov/resource-center/sanctions>).

You, your Owners, and your Affiliates certify that you have no knowledge or information that, if generally known, would result in you, your Owners and your Affiliates, your employees, or anyone associated with you to be listed in the Annex to Executive Order 13224.

You, your Owners, and your Affiliates are solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 16B of this Agreement pertain to your obligations under this Section 8H.

Any misrepresentation by you under this Section 8H or any violation of the Anti-Terrorism Laws by you, your Owners and your Affiliates, or your employees shall constitute grounds for immediate termination of this Agreement and any other Agreement you have entered with us or one of our Affiliates, in accordance with the terms of Section 14A of this Agreement.

I. PHOTO/VIDEO RELEASE.

Franchisee acknowledges and authorizes Franchisor to use its likeness in a photograph in any and all of Franchisor's publications, including printed and digital publications and on websites. Franchisee agrees and understands that any photograph or video using Franchisee's likeness will become Franchisor's property and will not be returned. Franchisee agrees and irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph of Franchisee for any lawful purpose. Franchisee agrees and waives any right to royalties or any other compensation related to Franchisor's use of any photograph or video of Franchisee. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

9. RESTRICTIVE COVENANTS.

A. CONFIDENTIAL INFORMATION.

You acknowledge that we possess proprietary information regarding the operating procedures of IMAGE Studios Salons, and other confidential information. We may disclose confidential information to you, your Owners, or your personnel in the training program, the Manuals and/or in guidance furnished to you during the term of the Agreement ("Confidential Information"). Each person who is or becomes an Owner, but not a Principal Owner, must sign an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in this Agreement, the current form of which is attached as Exhibit 5.

We will disclose parts of our Confidential Information to you solely for your use in the operation of your Salon. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (1) you and your Owners may not use the Confidential Information in any other business or capacity (you and your Owner's acknowledge this use is an unfair method of competition); (2) you and your Owners must maintain the confidentiality of the Confidential Information; (3) you and your Owners may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic, or other form; (4) you and your Owners must implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information, including the use of non-disclosure/non-compete agreements with your Owners, officers, directors, Operating Partners, salon managers, assistant managers, associates, and the like, and you and your Owners must deliver these agreements to us; (5) you and your Owners must not disclose during or after the Term of the franchise any of the Confidential Information; and (6) you and your Owners acknowledge that we have no obligation to reimburse you or provide any remuneration for implementing all reasonable

procedures that we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information.

B. IN-TERM COVENANTS.

You agree (and agree to cause any Entity Owner if Franchisee is an Entity, and each other Restricted Person), during the term of this Agreement, not to have any direct or indirect interest in a Competitive Business, or perform services of any type as an owner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any business in which leasing salon studios constitutes more than 20% of its revenues or any franchisor or licensor of the same (each a “**Competitive Business**”). The restrictions of this Section and the definition of Competitive Business will not apply to: (1) the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent two percent (2%) or less of the number of shares of that class of securities issued and outstanding; or (2) the ownership or operation of other IMAGE Studios Salons that are licensed or franchised by us or any of our Affiliates. Further, you agree during the term of this Agreement that you shall not hire any employee who, within the immediately preceding six months, was employed by the Company or any other franchisee or licensee of us, without obtaining the prior written permission of us or the franchisee or licensee pursuant to Section 4C of this Agreement.

10. MARKETING AND ADVERTISING.

A. LOCAL MARKETING REQUIREMENT.

You must spend for local advertising, networking, recruiting, and promoting your Salon those amounts we periodically establish, currently, that amount is a minimum of \$2,000 per month until you reach greater than 70% occupancy. After your reach greater than 70% occupancy, you must spend a minimum of \$400 per month. The amount spent on local advertising and promotion will be designated as the “Local Marketing Requirement”. At our request, you shall furnish us with copies of invoices and other documentation evidencing your compliance with this Section 10A. If we determine, at some later date, that you have spent an amount less than the Local Marketing Requirement, we may collect the contribution directly and deploy it on your behalf. If we change the amount of Local Marketing Requirement, we shall provide you with not less than 30 days’ notice of said change. The Local Advertising Requirement monies will be used to pay for the cost of implementing local marketing plans developed by you and approved by us. For these purposes, qualifying Local Advertising Requirement expenditures include: (i) amounts contributed to advertising associations; (ii) amounts spent for grand opening advertising and promotional programs pursuant to Section 3E; and (iii) amounts spent by you for advertising media, such as television, radio, Internet, newspaper, billboards, posters, direct mail, collateral and promotional items, and advertising on public vehicles (transit and aerial) and, (iv) if not provided by us, the cost of producing approved materials necessary to participate in these media.

B. BRAND DEVELOPMENT FUND.

In addition to the Local Marketing Requirement, you shall contribute to a brand development fund (“Brand Development Fund”) in an amount not to exceed two percent (2%) of Gross Revenues. Currently, we require you to contribute to the Brand Development Fund and may change the contribution rate (up to 2% of Gross Revenues) in our sole and absolute discretion with 30 days’ prior notice.

Contributions to the Brand Development Fund will be payable professionals via EFT bi-weekly by 5:00pm MST., every Friday on the same day that you process your EFT payment and rent for your salon professionals/tenants, or as otherwise specified by us. At our discretion, Brand Development Fund contributions may be electronically drafted or transferred from the designated account referred to in Section 6E hereof. All IMAGE Studios Salons, regardless if owned by a franchisee or by us or our Affiliates, shall contribute to the Brand Development Fund on the same basis as the then-current rate for franchisees. We administer this fund and we will have the sole right to enforce the obligations of you and all our other franchisees who contribute to the Brand Development Fund. We will have sole direction to use all contributions to and any earnings from the Brand Development Fund, including amounts we receive from you.

We may use the Brand Development Fund for any costs associated with advertising, marketing, branding, promotion, media, production, graphic design, public relations, and any other method, campaign, or activity that we believe, in our sole discretion, will benefit the System. This includes, without limitation, creation and development, electronic, print, and Internet programs, materials and media, national, regional and local advertising, market research activities, marketing collateral development, concept development (customer experience, project development and testing), design development (design, store prototyping and testing), our website or other websites, pay-per-click advertising, social media, software, facilities, contests, direct mailers, and maintenance, administration, operation, optimization, and direction of the foregoing. We have the right to develop all content, programs, campaigns, and media, whether internally or through outside vendors, and have final decision on all promotions, creative concepts, and media. You acknowledge that we may use the Brand Development Fund to maintain, administer, research, develop, direct, prepare, conduct training related to marketing, run production and distribution programs, to place advertising and promotional materials, programs, and activities, and to pay our reasonable salaries, accounting, collection, legal, and other costs related to the above. We may use up to 15% of the Brand Development Fund to solicit new franchisees and we may add franchise opportunity information to advertising and activities supported by the Brand Development Fund. We do not guarantee that you will benefit from the Brand Development Fund proportionately with other contributors or us.

We will not use the Brand Development Fund to offset the cost of our general operating expenses except for reasonable overhead allocation, including prorated amounts for salaries and facilities used to develop, research and administer the activities, products, campaigns, programs and promotions covered by the Brand Development Fund. We shall not be required to separately account to you for the activities conducted using overhead or administration portion or allocation of the Brand Development Fund.

You may obtain an unaudited yearly accounting of the Brand Development Fund upon written request to us. We intend to make such accounting available within 120 days after our fiscal year end and at the Brand Development Fund's expense. If we do not spend all of the collected amounts in the Brand Development Fund in any given year, we roll over and apply them in the following year(s). In our sole discretion, the Brand Development Fund may borrow from us or other lenders to cover deficits or cause the Brand Development Fund to invest any surplus for future use. Except as otherwise expressly provided in this Section 10C, we assume no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the Brand Development Fund. We do not act as trustee or in any other fiduciary capacity with respect to the Brand Development Fund.

#### C. ADVERTISING APPROVALS AND INITIAL ADVERTISING COSTS.

You acknowledge that all advertising and promotional materials will be sourced solely through us. You must submit to us for our prior approval a marketing plan and samples of all advertising and promotional materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials by following the procedures that are in place at the time of submittal. If you elect to work with a marketing firm other than our approved vendor (including an advertising agency or public relations firm), you must obtain our written approval of this marketing firm and this marketing firm must sign an IMAGE Studios approved confidentiality agreement before you sign any contracts or share any Confidential Information with this marketing firm. This marketing firm or agency shall not under any circumstances be given access to any of our proprietary limited access intranet (including the Franchise Website), sites or any other information we deem inappropriate. You may not use any advertising or promotional materials that we have not approved.

#### D. FRANCHISEE WEBSITES.

You may not promote, offer, or sell any products or services relating to your Salon, or use any of the Marks, through the Internet without our consent. You and your Entity Owners agree not to register any Internet domain name in any class or category that contains the words IMAGE Studios or any abbreviation, acronym, or

variation of those words. Also, you and your Entity Owners agree to not use any email address or alias that contains the words IMAGE Studios or any abbreviation, acronym, or variation of those words except those we have authorized. We will charge an email account fee of \$50 per year per email account that covers the cost of administering your email@imagestudios360.com account(s).

E. IMAGE STUDIOS WEBSITE; INTRANET; SOCIAL MEDIA; INBOUND CALL CENTER.

We have established and plan to maintain the IMAGE Studios Website (the “Website”) to provide information about IMAGE Studios, the Franchise, and the products and services that Salons offer. Also, we will have control over the IMAGE Studios Website’s design and contents. We will have no obligation to maintain the Website indefinitely and may dismantle it at any time. We have the right to modify or discontinue the Website or any of its functions if we determine that it becomes advisable at any time. We will have no liability or obligation whatsoever with respect to any required modification or discontinuance of the Website. Also, we are not obligated to reimburse you for any loss of goodwill associated with any modification or discontinuance of the Website. We may include pages on the Website that identify participating Salons by address and telephone number. We are the sole owners of and reserve the rights to access and use the customer information collected through the IMAGE Studios Website. You will not have the capability or the right to modify the Website.

We have established and plan to maintain the IMAGE Studios Franchise Website (the “Franchise Website”) through which members of the IMAGE Studios System may communicate with each other, we may disseminate updates to the Manuals and other confidential information. We may use the Franchise Website to provide Salon rankings in the IMAGE Studios System based on various data points tracked at any given time for the purpose of performance evaluation. No salon-specific financial information will be included on any ranking report provided for the consumption of the general franchise populace through the Franchise Website.

We will have no obligation to maintain the Franchise Website indefinitely and may dismantle it at any time. We will have no liability or obligation whatsoever with respect to any required modification or discontinuance of the Franchise Website. Also, we are not obligated to reimburse you for any loss of goodwill associated with any modification or discontinuance of the Franchise Website. We may include pages on the Franchise Website that identify participating Franchisees, general managers, and vendors by address, telephone number, and email address. You will not have the capability or the right to modify the Franchise Website. We are the sole owners of and reserve the rights to access and use the customer information collected through the IMAGE Studios Website.

Access to the Franchise Website by your employees should be strictly limited. You acknowledge that you are responsible for all product orders placed by employees through the Franchise Website and agree to reimburse us for any and all unpaid purchases made through the Franchise Website by your Salon.

We may require you to purchase and install necessary hardware, software, and other necessary additions to your computer system and to establish and continually maintain connection with the Franchise Website that allows us to send messages to and receive messages from you. Your obligations to maintain connection with the Franchise Website will continue until the Franchise Agreement’s expiration or termination (or, if earlier, until we dismantle the Franchise Website).

If you default under this Agreement, fail to pay any and all amounts due and payable to us or our Affiliates, or fail to comply with any other provision of this Agreement, we may remove information about your Salon from the Website, until such time as you pay your outstanding obligation in full or cure this default or we may temporarily suspend your access to any message board, directory, online shopping catalog, or other features the Franchise Website includes until such time as you fully cure the default. You must reimburse us for any and all purchases made through the Franchise Website by your Salon. You acknowledge that you are responsible for all product orders placed by employees through the Franchise Website.

We will manage all social media relating to IMAGE Studios. We reserve the right to charge you a pro rata fee in the future for the management of such social media. We intend to create and own all social media pages and accounts for or related to your Franchise and specific location, including a business Facebook page and Instagram page. We will allow you to utilize them, subject to our approval and our specifications and guidelines. You may post and upload content on these pages or accounts only if you follow our specifications and guidelines. We must expressly approve any and all content and graphics before you post or upload and we may require you to remove or delete any content within 24 hours, regardless of whether approved previously. If further infractions occur, we may revoke completely your access to social media pages or accounts related to your Franchise until we determine otherwise. As new social media and technology platforms arise, we will determine in our sole discretion the efficacy, reach, and desirability of each and may decide to create pages or accounts on these platforms for your Franchise and/or location under the same or similar conditions. Other than our corporate pages, no other pages are allowed on any other social media site or platform without our prior express, written approval.

We may require you to participate in a call center provide by us, our affiliate or a third party we designate to assist in inbound inquiries, and appointment setting. If required by us, you must participate in the call center and you agree to pay pro-rata share of all reasonable fees imposed by the provider for those services. Additionally, you may be required to use a specific telephone number, phone, or VOIP system that we may specify to use these services.

## **11. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

### **A. REPORTS, RECORDS AND BOOKKEEPING.**

You must establish and maintain a bookkeeping, accounting, record keeping and data processing system conforming to the requirements and formats that we prescribe and as set forth in the Manuals. You must prepare and maintain three years' complete and accurate books, records, (including invoices and records relating to your advertising expenditures) and accounts for your Salon, copies of your sales tax returns and these portions of your state and federal income tax returns, daily cash reports, cash receipts journal and general ledger, cash disbursements journal and weekly payroll register, monthly bank statements and daily deposit slips and canceled checks, supplier invoices, dated cash register tapes (detail and summary), semi-annual balance sheets and monthly profit and loss statements, records of all corporate accounts, and such other records as we deem appropriate as related to your Salon. All these books and records shall be kept at your principal address indicated on the first page of this Agreement, unless we otherwise approve. You acknowledge that we may require you to furnish these records to us.

You must furnish to us reports relating to your Salon by the delivery method and in a form and content as we have the right to periodically prescribe. At our discretion, we may require that we automatically receive or collect on a regular basis some or all of these reports via prescribed software. Such periodic reports may include but are not limited to, the following:

- (i) Gross Revenue and Rent Revenue Reports. Weekly reports of Gross Revenues and rent revenue due at the same time that Royalty Fees are due;
- (ii) Vacancy and Occupancy Reports. Within 20 days after the end of the calendar month, you must submit an occupancy report showing the number of studios currently leased and the expiration date of each lease as of the last day of the previous month.
- (iii) Sales Activity & Leasing Reports. Within 20 days after the end of the calendar month, a report for the previous month showing prescribed sales activities, the total number of leads received, the average response time, the total number of on-site tours given, the total number of leases signed, and leases that will soon expire or have expired.

(iv) Monthly Financial Reports. Within 20 days after the end of the calendar month, a profit and loss statement, balance sheet, statement of cash flows for your Salon for the previous month and a year-to-date statement of financial condition as of the end of the previous month;

(v) Quarterly Reports. Within 30 days after the end of calendar quarter, a quarterly balance sheet and income statement and statement of cash flow of your Salon for such quarter, reflecting any adjustments and accruals;

(vi) Annual Reports. Within 90 days after the end of each calendar year, (1) a year-end balance sheet and income statement and statement of cash flow for you and all of your Affiliates that develop, own or operate IMAGE Studios Salons, all prepared in accordance with generally accepted accounting principles, consistently applied, reflecting all year-end adjustments and accrual; (2) similar information from all Entity Owners who have signed guarantees of this Agreement; and (3) these summaries of financial information as we may require;

(vii) Tax Returns. Within 10 days after the returns are filed, exact copies of federal and state income, sales and any other tax returns and the other forms, records, books and other information pertaining to the Salon as we have the right to periodically require;

(viii) Other Reports. Within 30 days of our request, such other information as we may periodically require, including sales and income tax statements and a consolidated Business Plan for all IMAGE Studios Salons that you and your Affiliates own or operate.

All accounting and other reports shall use our then-current standard chart of accounts and standard accounting methodologies and practices as outlined in the Manuals. Each report and financial statement will be signed and verified by you in the manner we specify. We reserve the right to publish or disclose information that we obtain under this Section in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion, including financial information relating to your individual Salon. We also have the right to require your financial statements be audited, at your expense, by an independent certified public accountant approved by us. We have the right to determine the format and manner of submission of each report. In addition, we have the right to charge you a \$50 late fee for each delinquent report due to us, as further described above. Also, we have the right, but not the obligation, to provide you with analytical and comparative salon performance reports. The data we use to generate these reports are aggregated directly from information provided by franchise owners and third-party sources. You acknowledge that we do not warrant the reliance on the figures in these reports for your Salon.

## **12. THE COMPANY'S RIGHT TO INSPECT THE SALON; AUDITS.**

### **A. INSPECTIONS.**

To determine whether you are complying with this Agreement and with all System Standards and whether your Salon is in compliance with the terms of this Agreement, we and our designated agents have the right to, at any reasonable time and without prior notice to you:

- (i) Inspect the Premises and the Salon;
- (ii) Observe, photograph and video tape your Salon's operations for consecutive or intermittent periods as we deem necessary;
- (iii) Remove samples of any products, materials or supplies for testing and analysis;
- (iv) Interview personnel and customers of your Salon; and

(v) Inspect and copy any books, records and documents relating to the operation of your Salon.

You must cooperate fully with us in connection with any of our inspections, observations, photographing, videotaping, product removal and interviews. You also must cooperate fully with our representatives and independent accountants conducting audits.

You shall maintain readily available for inspection by the Company, and shall furnish to the Company upon its request, at these locations as the Company may reasonably request (including the Company's office), exact copies of all books and records, tax returns and documents relating to the development, ownership, lease, occupancy or operation of your Salon and of any corporation or partnership that holds the Franchise and shall afford the Company (and its agents), at any time during business hours, and without prior notice to you, full and free access to these books and records at the Salon. The Company (and its agents) shall have the right to make extracts from, and copies of, and to audit, or cause to be audited, these books and records and shall have the right to communicate freely with Salon employees. You shall fully cooperate with representatives of the Company and independent accountants hired by the Company to conduct any inspection or audit. In the event any inspection or audit shall disclose an understatement of the Gross Revenues of the Salon, you shall pay to the Company, within seven days after receipt of the inspection or audit report, the royalty and service fee and any advertising contributions due on the amount of this understatement, plus interest (at the rate and on the terms provided in Section 6) from the date originally due until the date of payment. Further, in the event this inspection or audit is made necessary by the failure of you to furnish reports, supporting records or other information, as herein required, or to furnish these reports, records or information on a timely basis, or if an understatement of Gross Revenues for the period of any inspection or audit (which shall not be for less than three months) is determined by any inspection or audit to be greater than three percent (3%), you shall reimburse the Company for the cost of this inspection or audit, including the charges of any attorneys, independent accountants and the travel expenses, room and board and compensation of employees of the Company. The foregoing remedies shall be in addition to all other remedies and rights of the Company under this Agreement or under applicable law.

### **13. TRANSFERS / ASSIGNMENT.**

#### **A. TRANSFERS/ASSIGNMENTS BY US.**

This Agreement is fully transferable and/or assignable by us and will inure to the benefit of any transferee or assignee or other legal successor to our interest in this Agreement.

#### **B. RESTRICTIONS ON TRANSFERS BY YOU.**

Your rights and duties created by this Agreement are personal to you, or, if you are a business corporation, partnership, limited liability company or other legal entity, your Entity Owners. We have granted this Agreement to you in reliance upon our perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and, if you are not an individual, your Entity Owners. Accordingly, no Transfer will be made without our prior written approval. Any Transfer without our approval will constitute a breach of this Agreement and will be void and of no effect. "**Transfer**" is defined, for purposes of this Agreement, as the voluntary or involuntary, direct or indirect transfer, assignment, sale, gift, pledge, mortgage, hypothecation or other disposition (including those occurring by operation of law and a series of transfers that in the aggregate constitute a Transfer) of any of your interest in this Agreement or of a Controlling Interest in you. "**Controlling Interest**" means an interest, the ownership of which empowers the holder to exercise a controlling influence over the management, policies or personnel of an Entity. Ownership of 10% or more of the equity or voting securities of a corporation, limited liability company or limited liability partnership or ownership of any general partnership interest in a general or limited partnership will be deemed conclusively to constitute a Controlling Interest in the corporation, limited liability company, or partnership, as the case may be.

C. CONDITIONS FOR APPROVAL OF TRANSFERS BY YOU.

If we have not exercised our right of first refusal and if you are in full compliance with this Agreement, we will not unreasonably withhold our approval of a Transfer that meets all of the following requirements:

(i) Qualification of Transferee. The proposed transferee and the individuals ultimately owning the transferee, if the transferee is an Entity, must meet our then-applicable standards for owners of IMAGE Studios Salons and have sufficient business experience, aptitude and financial resources to operate its business and comply with this Agreement. Also, the transferee must provide us on a timely basis all information we request;

(ii) Training. The transferee (or its operating partner) and its managers and assistant managers must have completed our initial training program or must be currently certified by us to operate and/or manage an IMAGE Studios Salon to our satisfaction;

(iii) Satisfaction of Obligations. You have paid all amounts owed for purchases by you from us and our Affiliates and all other amounts owed to us or our Affiliates and third-party creditors;

(iv) Execution of New Agreement or Assumption of Agreement. At our option, the transferee either has signed our then-current form of Franchise Agreement and related documents used in the state in which the Salon is located (which may provide for different royalties, advertising contributions and expenditure, duration and other rights and obligations than those provided in this Agreement) for a new term, and if the transferee is an Entity, each Entity Owner of the transferee has signed our then-current form of guaranty, or has agreed to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term, and if the transferee is an Entity, each Entity Owner of the transferee has signed our then-current form of guaranty;

(v) Payment of Transfer Fees. You or the transferee has paid us a transfer fee equal to \$5,000 per location plus any broker fees associated with the transfer or sale. You must pay to us a \$1,000 up-front, non-refundable deposit at the time of application for transfer approval. The remaining balance of the transfer fee is due at the time of the approval of the transfer;

(vi) Execution of Termination Agreement and/or Release. You and your transferring Entity Owners, if you are an Entity, have signed our then-current form of termination agreement and/or general release, in form and substance satisfactory to us, unless limited or prohibited by applicable law, (which shall release us and our affiliates and our and their respective officers, directors, employees shareholders, successors, assigns, and agents from any and all claims);

(vii) Approval of Terms of Transfer. We have approved the material terms and conditions of the Transfer, including the price and terms of payment;

(viii) Subordination. If you (or your Entity Owners) finance any part of the sale price of the transferred interest, you and the Entity Owners have agreed that all obligations of the transferee under any promissory notes, agreements or security interests reserved by you (or your Entity Owners) will be subordinate to the transferee's obligations to us and our affiliates;

(ix) Non-Competition Covenant. You and your Owners must sign a non-competition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing that, for a period of two years, starting on the effective date of the transfer, you and your Owners will not directly or indirectly (such as through members of ~~their~~his/her or their Immediate Families) (i) own any legal or beneficial interest in, or render services or give advice to (1) any Competitive Business that is located at or within a five mile radius of the Premises or the Designated Area; (2) any Competitive Business that is located within a five mile radius of any other IMAGE Studios Salon in operation or under construction as

of the effective date of this transfer; or (3) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business; and (ii) recruit or hire any person who is an employee of ours or of any IMAGE Studios Salon operated by us, our Affiliates or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason;

(x) Landlord Consent. If consent is required, the lessor of the Premises consents to the assignment or sublease of the Premises to the transferee;

(xi) Non-Use of Marks. You and your Entity Owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to IMAGE Studios Salons owned and operated by you or them) identify yourself or themselves or any of their businesses as a current or former IMAGE Studios Salon, or as a franchisee, licensee or dealer of us or our affiliates, use any Mark, any colorable imitation of any of the Marks or other indicia of an IMAGE Studios Salon in any manner or for any purpose or use for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us;

(xii) Refurbishment. You or the transferee has agreed to any refurbishment of the Salon required by us to bring the Salon in compliance with the then-current standards and trade dress;

(xiii) Salon Operation. You have completed development of your Salon and are operating your Salon in accordance with this Agreement;

(xiv) Agreement Compliance. You, your Owners and Affiliates must be in compliance with the provisions of this Agreement and all other agreements with us or any of our Affiliates;

(xv) Area Development Agreement. If you signed this Agreement pursuant to an area development agreement, then the transferee must acquire, in a concurrent transaction, all of your rights, and the rights of your Owners and Affiliates, under this area development agreement (or any successor area development agreement) and all franchise agreements for IMAGE Studios Salons that you or your Owners or Affiliates signed pursuant to this area development agreement (or any predecessor or successor area development agreement);

(xvi) Material Terms and Conditions. We must not have disapproved the material terms and conditions of this transfer (including the price and terms of payment and the amount to be financed by the transferee in connection with this transfer, which shall not in any event exceed 75% of the purchase price for the assets or stock to be transferred) on the basis that they are so burdensome as to be likely, in our reasonable judgment, to adversely affect the transferee's operation of your Salon or its compliance with its franchise agreements, any area development agreements and any other agreements being transferred; and

(xvii) Other Conditions. You and your transferring Entity Owners, if you are an Entity, have complied with any other conditions that we periodically reasonably require as part of our transfer policies. You and your Entity Owners and Affiliates must sign such other documents and do such other things as we may reasonable require to protect our rights under this Agreement and under any area development agreement.

In connection with any assignment permitted under this Section, you will provide us with all documents to be signed by you and the proposed transferee at least 30 days before signing.

#### D. TRANSFER TO A WHOLLY-OWNED CORPORATION.

If you are in full compliance with this Agreement, you will have the right to transfer your rights in this Agreement to a corporation which will conduct no business other than the business contemplated by this

Agreement, which you actually manage and in which you maintain management control and own and control 100% of the equity and voting power of all issued and outstanding capital stock. Transfers of shares of this corporation will be subject to the provisions of this Section 13. Even though a transfer is made under this Section, you will remain personally liable under this Agreement as if the transfer to this corporation had not occurred. The articles of incorporation, by-laws and other organizational documents of the corporation will recite that the issuance and assignment of any interest in the corporation is restricted by the terms of this Section 13, and all issued and outstanding stock certificates of this corporation must bear a legend reciting or referring to these restrictions.

E. DEATH OR DISABILITY OF FRANCHISEE.

Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation or partnership, the owner of a Controlling Interest of Franchisee, the executor, administrator, conservator or other personal representative of this person shall assign the Franchise or this interest in Franchisee to a third party approved by the Company. This disposition of the Franchise or this interest in Franchisee (including transfers by bequest or inheritance) shall be completed within a reasonable time, not to exceed six months from the date of death or permanent disability and shall be subject to all the terms and conditions applicable to assignments contained in Paragraph C of this Section and to the Company's right of first refusal contained in Paragraph G of this Section (provided that Paragraph G shall not apply to transfers to members of the immediate family of Franchisee or an owner of Franchisee or to transfers by gift, bequest or inheritance). Failure to so dispose of the Franchise or this interest in Franchisee within that period of time shall constitute a breach of this Agreement. Pending disposition, the Company shall have the right to approve the management of the Salon and no person whom the Company disapproved shall continue to act as a manager of the Salon.

F. SPECIAL TRANSFERS.

None of Section 13C(v), or Section 13C(vi) or Section 13C(xiv) shall apply to any Transfer of the Franchise among any of your then-current Owners. Neither Section 13C(vi) nor Section 13C(xviii) shall apply to any Transfer of the Franchise to any member of your Immediate Family or the Immediate Family of a then-current Owner of Franchisee (if you are a corporation, partnership, limited liability company or other legal entity). On 30 days' notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the assets of your Salon, by an agreement in form and substance approved by us, to an entity which conducts no business other than the Salon (and other IMAGE Studios Salons under franchise agreements granted by us), and of which you own and control all of the equity and voting power. The entity to which this Agreement is transferred must comply with Sections 7A and 7B. None of the foregoing assignments shall relieve you or your Owners of your respective obligations hereunder, and you and your Owners remain jointly and severally liable for all obligations hereunder.

G. THE COMPANY'S RIGHT OF FIRST REFUSAL.

If you or any of your Owners desire to transfer the franchise for legal consideration, you or such Owner must obtain a *bona fide*, signed written offer from a qualified purchaser and must deliver immediately to us a complete and accurate copy of this offer. If the offeror proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under area development agreements or rights to other franchise agreements for IMAGE Studios Salons) as part of the *bona fide* offer, the proposal for this property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Franchise must reflect the *bona fide* price offered therefore and may not reflect any value for any other property or rights.

We have the option, exercisable by notice delivered to you or your Owners within 30 days from the date of delivery of a complete and accurate copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (1) we may substitute cash for any form of payment proposed in this offer; (2) our credit shall be deemed equal to the credit of any proposed purchaser; and (3) we will have not less than 90 days from the option exercise date to consummate the transaction. We have the right

to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. We may conduct such investigation and analysis in any manner we deem reasonably appropriate and you and your Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase, we are entitled to purchase such interest subject to all representations and warranties, closing documents, releases, non-competition covenants and indemnities we as reasonably may require, provided if we exercise our option as result of a written offer reflected in a fully negotiated definitive agreement with the proposed purchaser, we will not be entitled to any additional representations, warranties, closing documents or indemnities that will have a materially adverse effect on your rights and obligations under the definitive agreement. If we do not exercise our option to purchase, you or your Owners may complete the sale to the offeror pursuant to and on the exact terms of this offer, subject to our approval of the transfer as provided in Section 13A, 13B, or 13C provided that if the sale to this offeror is not completed within 90 days after delivery of this offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty-day period following your notification of the expiration of the ninety-day period or the material change to the terms of the offer.

#### H. EFFECT OF CONSENT TO ASSIGNMENT.

The Company's consent to an assignment of the Franchise or any interest subject to the restrictions of this Section, shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of the Company's right to demand exact compliance with any of the terms or conditions of the Franchise by the assignee(s), nor a representation as to the fairness of the terms of any agreement or arrangement between you and the transferee or as to the prospects of success of the IMAGE Studios Salon by the transferee. Any approval shall apply only to the specific Transfer of the Franchise being proposed and shall not constitute an approval of, or have any bearing on, any other proposed transfer of the Franchise.

### 14. TERMINATION.

#### A. IMMEDIATE TERMINATION.

You are in material breach and deemed to be in default of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if any of the following events occur:

(i) Criminal Acts. The conviction or entry of a guilty plea or no contest to charges involving fraudulent conduct or a felony or misdemeanor involving moral turpitude by either Franchisee or a principal of Franchisee.

(ii) Insolvency. You file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any federal or state bankruptcy law or any similar federal or state law, or are adjudicated a bankrupt or make an assignment for the benefit of creditors or admit in writing your inability to pay your debts generally as they become due, or if a petition or answer proposing the adjudication of you as a bankrupt or your reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law is filed in any court and you consent to or acquiesce in the filing thereof or this petition or answer is not discharged or denied within 30 days after the occurrence of any of the foregoing, or if a receiver, trustee or liquidator of you or of all or substantially all of your assets or your interest in this Agreement is appointed in any proceeding brought by you, or if any such receiver, trustee or liquidator is appointed in any proceeding brought against you and is not discharged within 30 days after the occurrence thereof, or if you consent to or acquiesce in this appointment (any such event described in this Section being referred to as an "**Insolvency Event**"), or if you request the appointment of a receiver or make a general assignment for the benefit of creditors, or if your bank accounts, property or accounts receivable are attached or signing is levied against your business or property or;

- (iii) Unauthorized Transfer. A Transfer occurs in violation of the provisions of Section 13;
- (iv) Misstatements and Other Adverse Developments. You (or, if you are an Entity, any Entity Owner of you) have made any material misrepresentation or omission in your application for the rights conferred by this Agreement, are convicted by a trial court of, or plead no contest to, a felony or to any other crime or offense that may adversely affect the goodwill associated with the Marks, or if you engage in any conduct which may adversely affect the reputation of any IMAGE Studios Salon or the goodwill associated with the Marks;
- (v) Unauthorized Use of Marks or Confidential Information. You or any of your Entity Owners make any unauthorized use of the Marks or any unauthorized use or disclosure of Confidential Information;
- (vi) Abandonment. You abandon or fail actively to operate your Salon for three consecutive days unless your Salon has been closed for a purpose approved in advance by us in writing or because of fire, flood or other casualty or government order;
- (vii) Failure to Secure a Site. You are unable to secure a site, pursuant to the requirements of this Agreement, for your salon within twelve (12) months from the execution of this Agreement;
- (viii) Breach of Lease; Loss of Right of Possession. You are in breach of any of your obligations under your lease or sublease of the Premises or you lose the right to possession of the Premises;
- (ix) Failure to Comply with Certain System Standards and Health Requirements. You fail or refuse to comply with System Standards relating to the cleanliness or sanitation of your Salon or violate any health, safety or sanitation law, ordinance or regulation;
- (x) Understatements of Gross Revenues. You understate your Salon's Gross Revenues in any report or financial statement by an amount greater than three percent (3%);
- (xi) Failure to Make Payments. You or any of your Affiliates fail to make payments, when due, of any amounts due to us or our Affiliates under this Agreement or any other agreement with us or our Affiliates;
- (xii) Failure to Pay Taxes. You fail to pay any federal or state income, sales or other taxes due with respect to your Salon's operations unless you are in good faith contesting your liability for the taxes;
- (xiii) Repeated Breaches. You fail on two or more separate occasions within any period of twelve consecutive months or on three occasions during the term of this Agreement to submit when due reports or other data, information or supporting records or to pay when due the Royalty Fees or other payments due to us or our Affiliates or otherwise fail to comply with this Agreement, whether or not the failures to comply are corrected after notice thereof is delivered to you;
- (xiv) Financing Defaults. You default with respect to any of your obligations to us or any other lender under any financing provided to you in connection with this Franchise Agreement or a purchase of Salon assets; or
- (xv) Default of any Other Agreement. You default in the performance or observance of any of your obligations under any other agreement with us or our Affiliates;
- (xvi) Foreclosure. A suit is filed to foreclose any lien or mortgage against any of your assets and this suit is not dismissed within 30 days;

(xvii) Corporate or Partnership Dissolution. You voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and this petition is not dismissed within 30 days;

(xviii) Anti-Terrorism Laws. You are otherwise in violation of any of the Anti-Terrorism Laws.

You expressly waive all rights under the provisions of the bankruptcy or other applicable laws and rules, and consent to the immediate termination of this Agreement as provided herein. You agree not to seek an order from any court, tribunal, or agency in any jurisdiction relating to bankruptcy, insolvency, reorganization or any similar proceedings that would have the effect of staying or enjoining this provision.

B. NOTICE OF TERMINATION.

In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon 30 days after delivery of a notice of termination specifying any of the following breaches or defaults by you if it remains uncured at the end of the 30-day period:

- (i) fail to open your Salon and start business, as provided in Sections 3C and 3E;
- (ii) abandon or fail to actively operate your Salon for three consecutive days, except where this failure to actively operate results solely from causes beyond your reasonable control;
- (iii) surrender or transfer control of the operation of your Salon without prior written consent;
- (iv) make any material misstatement or omission in the Personal Profile, the ADA Application or in any other information, report or summary provided to us at any time;
- (v) suffer cancellation or termination of the lease or sublease for your Salon;
- (vi) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System Standards or the goodwill associated with the Marks;
- (vii) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manuals in violation of this Agreement;
- (viii) fail or refuse to comply with any mandatory specification, standard, or operating procedure prescribed by us relating to the cleanliness or sanitation of your Salon or violate any health, safety or sanitation law, ordinance or regulation, that we reasonably believe may pose harm to the public or to you or our reputation, and do not correct this failure, refusal or violation within twenty-four hours after written notice thereof is delivered to you;
- (ix) fail to report accurately Gross Revenues, to establish, maintain and/or have sufficient funds available in the designated account as required by Section 6E of this Agreement or to make payment of any amounts due us or any of our Affiliates, and do not correct this failure within 10 days after written notice of this failure is delivered to you;
- (x) fail to make a timely payment of any amount due to a supplier unaffiliated with us (other than payments which are subject to bona fide dispute), and do not correct this failure within 30 days after we deliver to you notice of this failure to comply;
- (xi) fail to comply with any other provision of this Agreement or any other mandatory specification, System Standards or operating procedure or other obligation that we periodically prescribe in the Manuals and do not correct this failure within 30 days after notice of this failure to comply is delivered to you; or

(xii) fail on three or more separate occasions within any period of twelve consecutive months to submit when due reports or other data, information or supporting records or to pay when due royalties, advertising fund contributions or other payments due us, any of our Affiliates or any unaffiliated suppliers or otherwise fail to comply with this Agreement or any mandatory specification, standard or operating procedure or other obligation that we periodically prescribe in the Manuals, whether or not this failure is corrected after notice is delivered to you.

(xiii) lose the right to possession of the Premises, or otherwise forfeit the right to do or transact business in the jurisdiction where the Salon is located, and do not correct this failure within 10 days after written notice of this failure is delivered to you;

(xiv) deny us the right to inspect, examine or audit your Salon and your Salon's books and do not correct this failure within 10 days after written notice of this failure is delivered to you;

(xv) fail to submit any financial statement or report when required, or your submission is incorrect or incomplete, and do not correct this failure within 10 days after written notice of this failure is delivered to you;

(xvi) fail to pay any federal or state income, sales, or other taxes due on your Salon's operations, unless you are in good faith contesting liability for these taxes, and do not correct this failure within 10 days after written notice of this failure is delivered to you;

(xvii) violate any federal labor laws, and do not correct this failure within 10 days after written notice of this failure is delivered to you;

(xviii) fail to commence repair or restoration of your Salon after damage or destruction as provided in Section 3C, or fail to ensure the Salon as provided in Section 8H, and do not correct this failure within 30 days after written notice of this failure is delivered to you;

(xix) fail to commence repair, restoration, modernization of your Salon after we provide you a written request to do so as provided in Section 8A, and do not correct this failure within 30 days after written notice of this failure is delivered to you;

(xx) fail to comply with the in-term covenants in Section 9B of this Agreement, fail to obtain signing of the covenants required under that Section, or fail to comply with the confidentiality non-competition agreement found in Exhibit 5, and do not correct this failure within 10 days after written notice of this failure is delivered to you; and

(xxi) fail to notify us of your Operation Partner, store manager, or assistant manager's termination and/or fail to hire or select a successor Operating Partner who satisfies the requirements provided for in Section 7C will be considered as a breach of this Agreement.

(xxii) the Franchisee or any owner of greater than 10% of the Franchisee entity or operator is convicted of a crime involving fraud, a crime involving moral turpitude, or any crime of offense that is reasonably likely, in the reasonable opinion of the Franchisor, to materially and unfavorably affect the System, the Marks, Franchisor's or the System's goodwill or Franchisor's or the System's reputation.

We have no obligation whatsoever to refund any portion of the franchise fee upon any termination.

C. OUR RIGHT TO TERMINATE IN CERTAIN OTHER CIRCUMSTANCES.

(i) Failure to Complete Training. If you or any initial attendee to our training programs fails to complete all phases of the initial and intensive training program to our satisfaction, we will have the right to terminate this Agreement effective upon delivery of notice of termination to you. If we terminate

the Agreement as permitted by this provision, we will refund to you all reasonable expenses incurred by us in connection with (i) the preparation of this Agreement and all related agreements, (ii) the grant of the Franchise, (iii) approval of the Premises, (iv) selection of the Premises, (v) training services and materials, and (vi) any other services performed by us in connection with the establishment and development of your Salon. However, in no event will the refund exceed 50% of the initial franchise fee. The refund will be delivered to you upon signing of all releases, waivers and other agreements necessary to terminate the relationship between you and us.

(ii) Failure to Open Your Salon for Business. If you fail to open your Salon for business in compliance with Section 3, we will also have the right to terminate this Agreement effective upon delivery of notice of termination to you. If you are in default of this Agreement for abandonment (as described above), we have the right, at our option, to enter the Premises and assume the management of your Salon for any period of time we deem appropriate. If we assume management of your Salon, we will appoint a manager who will maintain Salon operations. All funds from the operation of your Salon during the period of management by our appointed manager will be kept in a separate fund, and all expenses of your Salon, including compensation, other costs, and travel and living expenses of our appointed manager, will be charged to this fund. As compensation for these management services, we may charge this fund 10% of the Gross Revenues of your Salon during the period of our management. Operation of your Salon during any such period will be on your behalf, provided that we will have a duty only to use our good faith effort and will not be liable to you for any debts or obligations incurred by your Salon or to any of your creditors for any merchandise, materials, supplies or services purchased by your Salon during any period in which your Salon is managed by our appointed manager. You will maintain in force for your Salon all insurance policies required by this Agreement. Our right to assume management of your Salon pursuant to this Section is in addition to and does not affect our right to terminate this Agreement.

**15. RIGHTS AND OBLIGATIONS OF THE COMPANY AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.**

**A. REVISION OF RIGHTS.**

You agree that upon termination or expiration of this Agreement, all of your rights to use the Marks and all other rights and licenses granted herein and the right and license to conduct business under the Marks at your Salon and on the Premises shall revert to us without further act or deed of any party. All right, title and interest of you in, to, and under this Agreement shall become our property.

**B. PAYMENT OF AMOUNTS OWED TO US AND OTHERS FOLLOWING TERMINATION OR EXPIRATION.**

You must pay us within 15 days after the date of termination or expiration of this Agreement, or such later date as the amounts due to us are determined, the Royalty Fees, marketing fees, amounts owed for purchases by you from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

**C. DISCONTINUANCE OF THE USE OF THE MARKS FOLLOWING TERMINATION OR EXPIRATION.**

You agree that, upon termination or expiration of this Agreement, you will:

(i) Not directly or indirectly at any time or in any manner (except with respect to other IMAGE Studios Salons owned and operated by you) identify yourself or any business as a current or former IMAGE Studios Salon, or as a franchisee, licensee or dealer of us or our Affiliates, and not use any Mark, any colorable imitation of a Mark or other indicia of an IMAGE Studios Salon in any manner or for any purpose or use for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us or our Affiliates;

(ii) Deliver to us all signs, sign-faces, sign-cabinets, marketing materials, forms, invoices and other materials containing any Mark or otherwise identifying or relating to an IMAGE Studios Salon and allow us, without liability, to remove all these items from your Salon;

(iii) Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(iv) If we do not exercise our right to purchase your Salon pursuant to Section 15E, promptly remove from the Premises, and discontinue using for any purpose, all signs, fixtures, furniture, décor items, advertising materials, forms and other materials and suppliers which display any of the Marks or any distinctive features, images, or designs associated with IMAGE Studios Salons and, at your expense, make such alterations as may be necessary to distinguish the Premises so clearly from its former appearance as an IMAGE Studios Salon and from other IMAGE Studios Salons as to prevent any possibility of confusion by the public;

(v) Deliver all materials and supplies identified by the Marks in full cases or packages to us for credit and dispose of all other materials and supplies identified by the Marks within 30 days after the effective date of termination of this Agreement;

(vi) Notify the telephone company and all telephone directory publishers of the termination of your right to use any telephone and telecopy numbers and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer of those rights to us, or at our direction, our designee. You agree that, as between you and us, we have the right to and interest in all telephone and fax numbers and directory listings associated with any Mark. You authorize us and appoint us and any of our officers as your attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone and fax numbers and directory listings relating to your Salon to us, or our designee, should you fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of our exclusive rights in the telephone and telecopy numbers and directory listings and our authority to direct their transfer; and

(vii) Furnish us, within 30 days after the effective date of termination, with evidence satisfactory to us of your compliance with the obligations in this Section.

(viii) Immediately discontinue the use of any of our proprietary software;

(ix) Immediately discontinue any mode of communications on the Intranet (the Franchise Website) and Internet directly or indirectly relating to your Salon, including any Authorized Websites, social media pages/accounts or any other electronic media associated with your Salon, and immediately take all steps required by us to transfer any domain name associated with your Salon to us (such as signing a Registrant Name Change Agreement with applicable Registrar). You irrevocably appoint an authorized officer of ours as your duly authorized agent and attorney-in-fact to sign all instruments and take all steps to transfer these domain names;

(x) Immediately cease to use all Confidential Information and return to us all copies of the Manuals and any other confidential information which have been loaned to you;

(xi) Immediately return to us all copies and database records of your salon professionals and tenant list(s), leases, service contracts, and any other information related to such.

You agree that if you fail to fulfill any of the obligations contained in this Section upon termination or expiration of this Agreement, we have the right, at our option, to perform these obligations at your expense.

D. DISCONTINUANCE OF USE OF CONFIDENTIAL INFORMATION FOLLOWING TERMINATION OR EXPIRATION; POST-TERM COVENANT NOT TO COMPETE.

You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any Confidential Information disclosed to you pursuant to this Agreement in any business or otherwise and you will return to us all copies of the Manuals and any other Confidential Information, which we have loaned to you. Upon termination of this Agreement for any reason, you agree that, for a period of two (2) years (or three (3) years if we purchase your Salon as provided below), commencing on the effective date of termination, neither you, your Owners, nor any of your owners, principals, members or partners (as applicable) (collectively the “**Restricted Persons**”) will directly or indirectly own a legal or beneficial interest in, or render services or give advice to: (1) any Competitive Business operating at or within a five mile radius of the Premises or the Designated Area; (2) any Competitive Business operating within a radius of five miles of any IMAGE Studios Salon in operation or under construction on the effective date of termination or expiration; (3) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; (4) recruit or hire any person who is an employee of ours or of any IMAGE Studios Salon operated by us, our Affiliates or another franchisee of ours without obtaining the employer’s consent, which consent may be withheld for any reason; or (5) solicit or attempt to divert elsewhere any partnership we’ve established as part of the IMAGE Studios System, including, but not limited to, technology, trade, education, retail product or vending/supplier partners..

You expressly acknowledge that you, your Entity Owners, and the other Restricted Persons possess skills and abilities of a general nature and have other opportunities for exploiting those skills. Consequently, enforcement of the covenants made in this Section will not deprive you or any of the other Restricted Persons of their personal goodwill or ability to earn a living. If any covenant in this Agreement which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all of the covenant, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

E. OUR OPTION TO PURCHASE YOUR ASSETS

We shall have the right to purchase the assets of your Salon, upon termination or expiration (without renewal) of this Agreement. We shall have the right, exercisable by giving notice thereof (“Appraisal Notice”) within 10 days after the date of this termination or expiration of this Agreement, to require that a determination be made of the “Fair Market Value” (as defined below) of any or all of the assets of your Salon which you own, including inventory of non-perishable products, materials, supplies, furniture, equipment, signs, and any and all leasehold improvements, fixtures, building and land, but excluding any cash and short-term investments and any items not meeting our specifications for IMAGE Studios Salons (the “Purchased Assets”). Notwithstanding the foregoing, if you notify us not less than 180 days nor more than 270 days before expiration, then we agree, if we desire to exercise our right to purchase, to give you the Appraisal Notice at least 120 days before the date of expiration of this Agreement.

Upon delivery of the Appraisal Notice, you may not sell or remove any of the assets of your Salon from the Premises (other than in the ordinary course of business) and must give us, our designated agents and the “Appraiser” (as defined below) full access to your Salon and all of your books and records at any times during customary business hours to conduct inventories and determine the purchase price for the Purchased Assets.

The Fair Market Value shall be determined based upon the amount that an arm’s length purchaser would be willing to pay for the Purchased Assets, assuming that the Purchased Assets would be used for the operation of an IMAGE Studios Salon under a valid franchise agreement reflecting the then-current (or if we are not offering franchises at that time, then the most recent) standard terms upon which we offer or offered franchises for IMAGE Studios Salons. Under no circumstances does this calculation contemplate any value be attributed to any goodwill associated with the Marks or any value attributed to other Intellectual Property or the System Standards, provided,

however, that an amount may, if appropriate, be attributed to the going concern value of your Salon. You and we hereby agree that the valuation methodology described herein is a fair and reasonable method by which to value the Purchased Assets.

Notwithstanding, the mutually agreeable valuation methodology, if you and we are unable to agree on the final calculation of the Fair Market Value of the Purchased Assets, within 15 days after the Appraisal Notice, then Fair Market Value will be determined by a member of a nationally recognized accounting firm (other than a firm which conducts audits of our or your financial statements) mutually selected by you and us who has experience in the valuation of salon businesses (the "Appraiser"). If we are unable to agree on the Appraiser within 30 days after the Appraisal Notice, either party may demand the appointment of an Appraiser be made by the director of the Regional Office of the American Arbitration Association located nearest to Salt Lake City, Utah, and this person shall be the Appraiser.

The Appraiser will make his or her determination and submit a written report (the "Appraiser Report") to you and us as soon as practicable, but in no event more than 60 days after his or her appointment. Each party may submit in writing to the Appraiser its judgment of Fair Market Value (together with its reason therefore); however, the Appraiser shall not be limited to these submissions and may make such independent investigations as he or she reasonably determines to be necessary. The Appraiser's fees and costs shall be borne equally by the Parties.

We have the option, exercisable by delivering notice thereof within 30 days after submission of the Appraisal Report (or the date that an agreement is reached, if the Parties agree to the Fair Market Value), to agree to purchase the Purchased Assets at Fair Market Value. We shall have the unrestricted right to assign this option to purchase separate and apart from the remainder of this Agreement.

If we exercise our option to purchase, the purchase price for the Purchased Assets will be paid in cash at the closing, which will occur at the place, time and date we designate, but not later than 60 days after the exercise of our option to purchase the Purchased Assets. At the closing, we will be entitled to all representations, warranties, title insurance policies and other closing documents and post-closing indemnifications as we reasonably require, including: (1) instruments transferring good and marketable title to the Purchased Assets, free and clear of liens, encumbrances, and liabilities, to us or our designee, with all sales and other transfer taxes paid by you; and (2) an assignment of all leases of assets used in the operation of your Salon, including land, building and/or equipment (or if an assignment is prohibited, a sublease to us or our designee for the full remaining term and on the same terms and conditions as your lease, including renewal and/or purchase options), provided, however, that if any of your Owners or Affiliates directly or indirectly owns the land, building and/or equipment of your Salon, you will, at our option, cause this Owner or Affiliate to grant to us a lease at reasonable and customary rental rates and other terms prevailing in the community where your Salon is located. Any dispute concerning the rental rates and terms of this lease shall be resolved by the Appraiser.

If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the closing of the sale may, at our option, be accomplished through an escrow on these terms and conditions as we deem appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties to obtain clear title to all of the Purchased Assets. Further, you and we shall comply with any applicable bulk sales provisions of the Uniform Commercial Code as enacted in the state where the Premises are located and all applicable state and local sales and income tax notification and/or escrow procedures. We have the right to set off against and reduce the purchase price by any and all amounts owed by you or any of your Owners or Affiliates to us or any of our Affiliates.

Upon delivery of the Appraisal Notice and pending (1) determination of Fair Market Value, (2) our option period, and (3) the closing of the purchase, we may authorize continued temporary operations of your Salon pursuant to the terms of this Agreement, subject to the supervision and control of one or more of our appointed managers.

F. CONTINUING OBLIGATIONS.

All obligations of us and you which expressly or by their nature survive the termination of this Agreement will continue in full force and effect subsequent to and notwithstanding termination and until they are satisfied in full or by their nature expire.

**16. RELATIONSHIP OF PARTIES/INDEMNIFICATION.**

A. INDEPENDENT CONTRACTORS.

Franchisor and Franchisee acknowledge and agree that the relationship created under the Agreement is that of independent Contractors. Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or the relationship of principal and agent or employer and employee between the parties, and in no circumstances shall either party, their officers, directors, agents, employees, salespeople, or similar persons be considered the agents or employees of the other party

You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interest of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions could have been made by us; (2) our decision or the action we take promotes our financial or other individual interest; (3) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned or company-affiliated operations; or (4) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that this covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

B. INDEMNIFICATION.

You must indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively "indemnitees"), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the indemnitees in connection with the development, ownership, operation or closing of any of your IMAGE Studios Salons (collectively "event"), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the indemnitees or the gross negligence or willful acts of indemnitees (unless joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term "losses and expenses" includes compensatory, exemplary, and punitive damages; fines and penalties; attorney's fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any event of which we become aware for which indemnification may be required and we may elect (but are not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any

event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of indemnitees or IMAGE Studios Salons generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with your Franchise Agreement agrees to undertake the defense of an event (an “Insured Event”), we agree not to exercise our right to select counsel to defend event if this would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

C. TAXES.

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon your Salon, your property or upon us, in connection with furnishings or equipment purchased, sales made or business conducted by you (except any taxes we are required by law to collect from you, in which case you shall be liable to us for the amount of any taxes owed). Payment of all these taxes shall be your responsibility. In the event of a *bona fide* dispute as to your liability for taxes, you may contest your liability in accordance with applicable law. In no event, however, will you permit a tax sale, seizure, or attachment to occur against your Salon or any of its assets.

**17. DISPUTE AVOIDANCE AND RESOLUTION.**

A. MEDIATION AND MANDATORY BINDING ARBITRATION, WAIVER OF RIGHT TO TRIAL BY JURY, ETC.

All claims, disputes, suits, actions, controversies, proceedings, or otherwise, of every kind (hereinafter “claim” or “claims”) arising between or involving the Franchisor and the Franchisee except as expressly provided below at Section 17A(4), will be resolved as described below. This resolution process will apply to all such claims whether arising out of or relating to this or any other agreement or document, any alleged breach of duty (including the offer and/or sale of any franchise, any action for rescission or other action to set aside such sale or any other agreement), and on whatever theory or basis in fact. The resolution process will be as follows:

(1) First, the claim(s) will be discussed in a face-to-face meeting between the parties with individuals who are authorized to make binding commitments on their behalf. This meeting will be held at Franchisor’s then-current headquarters and within thirty (30) days after written notice is given proposing such a meeting. Either party may require the other to participate in the International Franchise Association’s Ombudsman (or similar) program prior to, or in conjunction with, any mediation, and all meetings to be held at Franchisor’s then-current headquarters.

(2) Second, if, in the opinion of either party, the meeting has not successfully resolved any of the claims at issue, they will be submitted to non-binding mediation through the American Arbitration Association (“AAA”).

(3) Third, if such mediation is not successful in resolving the dispute, claims will be submitted to and finally resolved by binding arbitration before and in accordance with the arbitration rules of AAA. In each case, the parties to any mediation/arbitration will execute appropriate confidentiality agreements, excepting only such public disclosures and filings as required by law.

(4) Franchisor and Franchisee agree that this Agreement does not obligate them to mediate or arbitrate claims or issues relating primarily to (i) the validity of the Marks, or any trademarks, service marks or other Intellectual Property licensed to Franchisee, (ii) Franchisor’s rights to obtain possession of any real and personal property (including any action in unlawful detainer, ejectment or otherwise) (iii) Franchisor’s or Franchisee’s rights to obtain a writ of attachment and/or other pre-judgment remedies and/or (iv) Franchisor’s rights to receive and enforce a temporary restraining order, preliminary

injunction, permanent injunction or other equitable relief (including, but not limited to, Franchisor's rights to equitable relief with respect to Franchisee's unlawful use of any of the Marks and/or other Intellectual Property and Franchisee's breach of the confidentiality and/or non-compete provisions of this Agreement), intentional interruption by Franchisee or Franchisor of business operations with the exception of the provisions of Section 15 relating to Breaches, Defaults or Termination, and the exercise of any such rights and remedies will not be deemed a waiver of the rights to require or use mediation and/or arbitration.

(5) Franchisor and Franchisee each knowingly waive all rights to trial by a court or jury. The parties each understand that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence, and may make appeals generally less available. However, both parties still prefer, and have mutually selected (for the reasons set forth in this Section and the following one), mediation and/or arbitration as provided in this Agreement to resolve any and all disputes and claims, except as expressly provided in Section 17A(4). The parties have had an express meeting of the minds on each these matters as set forth in this Section 17 and/or otherwise. Both parties further agree that the provisions of this Agreement will control the state or provincial laws by which this Agreement will be governed and construed, any provisions of state, provincial or other law to the contrary, and/or any statements in Franchisor's Disclosure Document or otherwise required as a condition of registration or otherwise.

## **18. MISCELLANEOUS.**

### **A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Each section, paragraph, term and provision of this Agreement shall be considered severable and if any portion of this agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation, it shall not have any effect upon these other portions of this Agreement as may remain otherwise intelligible. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this agreement than is required under this Agreement, or the taking of some other action not required under it, or if under any applicable and binding law or rule of any jurisdiction, any provision of this agreement or any specification, standard or operating procedure prescribed by the Company is invalid or unenforceable, the prior notice and/or other action required by this law or rule shall be substituted for the comparable provisions of this Agreement, and the Company shall have the right to modify this invalid or unenforceable provision, specification, standard or operating procedure if required to be valid and enforceable. You must be bound by any modification to this Agreement. Otherwise, all modifications to this Agreement must be in writing signed by both Parties (except for modifications accomplished by virtue of the Company's amendment to System Standards and/or the Manuals as described herein). If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

Nothing in this Agreement or any related agreement is intended to disclaim Franchisor's representations made in the Uniform Franchise Disclosure Document.

### **B. WAIVER OF OBLIGATION.**

The Company and you may by written instrument unilaterally waive or reduce any obligation of, or restriction upon, the other under this Agreement, effective upon delivery of written notice to the other. The Company and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (i) by virtue of any custom or practice of the Parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of the Company or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement; (iii) any waiver, forbearance, delay, failure or omission by the Company to exercise any right, power or option with respect to any other IMAGE Studios Salon; or (iv) the acceptance by the Company of any payments due from you after any breach of this

Agreement. Neither the Company nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (i) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (ii) compliance with any law, ruling, order, regulation, requirement or instruction of any agency of government; (iii) acts of God; (iv) acts of omissions of the other party; (v) fires, strikes, embargoes, war, or riot; or (vi) any other similar event or cause. Any delay resulting from any cause shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. ACKNOWLEDGEMENT ADDENDUM.

Franchisee acknowledges that Franchisee knowingly and truthfully executed Exhibit 1 attached hereto, or documents identical thereto, in which Franchisee acknowledges certain statements and representations.

D. COSTS AND ATTORNEY'S FEES.

In a judicial proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

E. GOVERNING LAW.

This Agreement shall be construed under the laws of the State of Utah, provided the foregoing shall not constitute a waiver of any of your rights under any applicable franchise law of another state. Otherwise, in the event of any conflict of law, Utah law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Utah law, and if your Salon is located outside of Utah and this provision would be enforceable under the laws of the state in which your Salon is located, then this provision shall be construed under the laws of that state. Nothing in this Section 18E is intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Utah to which it otherwise would not be subject.

F. LIMITATIONS. The parties agree to bring any claims that in any way, directly or indirectly, arise out of or are otherwise related to this Agreement or the parties' relationships and dealings with or amongst each other ("Claims"), if at all, within one year of the occurrence of the facts giving rise to such Claims, regardless of when discovered. Any mediation, action, suit, arbitration, or proceeding, whether for legal, equitable, or injunctive relief, damages, or rescission, or otherwise, that is not brought within this period shall be barred as a claim, counterclaim, defense, or set-off to the fullest extent permitted by law. As to any Claims, the parties agree, to the fullest extent permitted by law, any right to or claim for any actual or consequential damages sustained directly or indirectly from or relating to this Agreement or the parties' relationships and dealings with or amongst each other shall be limited to the value of an IMAGE Studios™ franchise, which the parties agree is approximately equal to the cash revenue generated by that franchisee over the preceding 12 months.

As a condition precedent to commencing an action, suit, arbitration, or proceeding for a Claim, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages, whether for legal, equitable, or injunctive relief, damages, or rescission,

If any federal, state, or local law or regulation provides for a shorter limitation period than outlined above, the shorter period shall govern. The limitations outlined above shall in no way prevent Franchisor from terminating this Agreement as provided in this Agreement and under applicable law or to obtain or enforce any award or judgment consistent with such termination, even if the limitations outlined above were to exclude or limit Franchisor's right to sue for damages or to pursue other remedies,

If any court makes any provision of this subsection invalid, void or unenforceable, this provision shall be modified

in order to make the modified provision enforceable to the greatest extent possible and the parties agree to be bound by the modified provision to the greatest extent lawfully permitted.

G. SPECIFIC PERFORMANCE/INJUNCTIVE RELIEF.

We may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may have this injunctive relief, without bond, but upon due notice, in addition to this further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of this injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any injunction being expressly waived). You and each of your Owners acknowledge that any violation of Sections 9, 13C(x), 15C or 15D would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Owner's consent to the issuance of an injunction prohibiting any conduct in violation of any of those Sections and agree that the existence of any claim you or any of your Owners may have against us, whether arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

H. BINDING EFFECT.

This Agreement is binding upon the Parties to it and their respective executors, administrators, heirs, assigns, and successors in interest and shall inure to the benefit of any transferee or other legal successor to our interest herein.

I. CONSTRUCTION.

The headings of Sections are for convenience only and do not limit or construe their contents. The word "including" shall be construed to include the words "without limitation." The term "Franchisee" as used in this Agreement is applicable to one or more persons, a corporation or a partnership and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee under this Agreement, their obligations and liabilities to the Company shall be joint and several. References to "Franchisee," "owner" and "assignee" which are applicable to an individual or individuals shall mean the Entity Owner or owners of Franchisee or an assignee (any person owning of record or beneficially 10% or more of the equity or control of Franchisee) if Franchisee or the assignee is a corporation or partnership. "Franchisee" or "owner" may also include the spouse of the Franchisee or the owner if they reside in a community property law state. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

This Agreement may be signed in multiple copies, each of which shall be deemed an original. Time is of the essence in this Agreement.

J. ENTIRE AGREEMENT

The introduction hereto is a part of this Agreement (together with its appendices, all of which will be deemed to be part of this Agreement). This Agreement contains the final, complete and exclusive expression of the terms of Franchisor's agreement and entirely supersedes and replaces any and all prior and/or concurrent promises, agreements, representations or otherwise (whether oral or written) between Franchisee and Franchisor (or anyone else.) No prior and/or concurrent promises, agreements, representations or otherwise (whether oral or written) of any kind or nature whatsoever have been made by Franchisor or anyone else, nor have been relied upon by Franchisee nor will have any force or effect. Nothing in this Agreement or any related agreement is intended to disclaim Franchisor's representations made in the Uniform Franchise Disclosure Document.

K. EXERCISE OF RIGHTS.

The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by

Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled to enforce by law. If you commit any act of default under any agreement or this Agreement for which Franchisor exercises its right to terminate this Agreement, you shall pay to Franchisor the actual and consequential damages Franchisor incurs as a result of the premature termination of this Agreement. You acknowledge and agree that the proximate cause of these damages sustained by Franchisor is your act of default and not Franchisor's exercise of its right to terminate. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement shall constitute a waiver of this right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying the breach or violation is provided to the other party within twenty-four months after the later of: (1) the date of the breach or violation; or (2) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to the breach or violation.

L. APPROVAL AND CONSENTS.

Whenever this Agreement requires the approval or consent of either party, the other party shall make written request therefore, and this approval or consent shall be obtained in writing; provided however, unless specified otherwise in this Agreement, this party may withhold approval or consent, for any reason or for no reason at all. Furthermore, unless specified otherwise in this Agreement, no such approval or consent shall be deemed to constitute a warranty or representation of any kind, express or implied, and the approving or consenting party shall have no responsibility, liability or obligation arising therefrom.

M. COMMUNITY PROPERTY. If, by virtue of the community property laws of any state, Franchisee's spouse is deemed to have any property interest in this Agreement, the ownership of Franchisee, the Salon, or the Franchise, Franchisor shall have the right to require Franchisee's spouse to consent to and join in:

- (i) all of the terms and conditions of the Agreement and any amendments thereto; and
- (ii) in any designation of a successor pursuant of this Agreement.

If Franchisor purchases the Franchise subsequent to the death or permanent disability of Franchisee, or an owner of Franchisee, Franchisor shall be deemed to have complied with its purchase obligation so long as Franchisor tenders the purchase price jointly to the estate or personal representative of Franchisee or such owner of Franchisee, and the surviving spouse of such person. Franchisor will have no obligation to see to the apportionment of such purchase price between any claimants thereto.

N. NOTICES AND PAYMENTS.

All written notices permitted or required to be delivered by this Agreement shall be deemed so delivered at the time delivered:

- (i) at the time delivered by hand to the recipient party or any officer, director, or partner of the recipient party;
- (ii) on the same day of the transmission by facsimile, telegraph, e-mail or other reasonably reliable electronic communication system (provided sender has electronic confirmation of transmission);
- (iii) one business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or
- (iv) five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All notices

to us must include a copy to our General Counsel and our Chief Executive Officer to be effective. All payments and reports required by this Agreement shall be sent to us at the address identified in this Agreement unless and until a different address has been designated by written notice to the other party. No restrictive endorsement on any check or in any letter or other communication accompanying any payments shall bind us, and our acceptance of any payments shall not constitute an accord and satisfaction.

All payment and reports required by this Agreement must be directed to the Company at the address notified to you.

O. OTHER AGREEMENTS.

If you or any of your owners, partners, or officers violate any material provision of any other franchise or similar agreement between us and you or any of your owners, partners, or officers, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

Whenever this Agreement requires that you enter into a release, such as for a transfer, or renewal or purchase of an additional franchise, the release will be in substantially the following form:

You (and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release us from any claims you may have against us:

In consideration of the mutual covenants and understandings set forth in this release agreement, you release and discharge us and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the franchise and the franchise premises (“your Prior Franchise Agreement”).

You release and forever discharge us and our respective current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.

You and we will represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.

These releases are intended to waive, release and discharge all claims against us, other than these expressly reserved:

any future claims we may have against you for: your past, present and future violations of the post-termination covenants contained in the Prior Franchise Agreement and [fill in blank as appropriate] [any future claims you may have against us for:] [fill in blank as appropriate]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN ~~THEIR~~ FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY ~~THEM~~ MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You will waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

P. RECEIPT OF DISCLOSURE DOCUMENT AND AGREEMENT.

You acknowledge having received our Franchise Disclosure Document 14 calendar days before signing a binding agreement or making any payment to us relating to this agreement. You acknowledge having received this Agreement, with all blanks completed, at least seven calendar days before you signed it.

**(Signatures on following page)**

IN WITNESS WHEREOF, the Parties have signed, sealed and delivered this Agreement on the day and year first above written.

**FRANCHISOR**

**FRANCHISEE**

IMAGE STUDIOS 360 FRANCHISE,  
LLC  
a Utah limited liability company

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT 1

### ACKNOWLEDGMENT ADDENDUM

IMAGE Studios 360 Franchise, LLC, (“we”, “us”, the “Company” or “Franchisor”) and \_\_\_\_\_, (“you” or “Franchisee”) have, as of \_\_\_\_\_, entered into a certain IMAGE Studios Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms, as set out below.

1. You acknowledge and represent that you have read this Agreement and our Disclosure Document and understand and accept the provisions of this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all IMAGE Studios Salons franchised or operated by us and to protect and preserve the goodwill of the Marks. \_\_\_\_\_ (Franchisee’s Initials)

2. You acknowledge that you have conducted an independent investigation of the business venture contemplated by this Agreement and you recognize that, like any other business, the nature of the business contemplated by this Agreement may change over time, that an investment in an IMAGE Studios Salon involves business risks, and that the success of the venture is largely dependent upon your business abilities and efforts. \_\_\_\_\_ (Franchisee’s Initials)

3. You acknowledge and understand that any information relating to the sales, profits or cash flows of IMAGE Studios Salons operated by us or our Affiliates, or our franchisees that is contained in our Disclosure Document and other materials is intended only to be an indication of historical performance of certain IMAGE Studios Salons and NOT of potential future financial performance. \_\_\_\_\_ (Franchisee’s Initials)

4. Except for the financial performance representations, if any, included in our Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received or relied on, any express or implied warranty or guarantee as to the revenues, profits or success of the business venture contemplated by this Agreement. \_\_\_\_\_ (Franchisee’s Initials)

5. You acknowledge and understand that our officers, directors, employees and agents are acting only in a representative and not a personal capacity in their dealings with you. You also acknowledge and represent that you have not received or relied on any representations about us or our franchise program or policies from us or our officers, directors, employees or agents that are contrary to the statements made in our Disclosure Document or to the terms of this Agreement. \_\_\_\_\_ (Franchisee’s Initials)

6. You represent to us, as an inducement to your entry into this Agreement, that all statements in your application for the rights granted in this Agreement are accurate and complete and that you have made no misrepresentations or material omissions in obtaining these rights. \_\_\_\_\_ (Franchisee’s Initials)

7. You acknowledge that you received a copy of this Agreement, all applicable addenda, and any other related agreements with us or our Affiliates and our Disclosure Document at least 14 calendar days before the date on which this Agreement was signed. \_\_\_\_\_ (Franchisee’s Initials)

8. You acknowledge and agree that this Agreement, together with any duly signed amendment or addendum attached to the Agreement contain the entire agreement between the Parties with respect to your Franchise for the Salon, and that it supersedes any prior or contemporaneous agreements between the Parties, written or oral, with respect to the Franchise for the Salon. \_\_\_\_\_ (Franchisee’s Initials)

9. You acknowledge and agree that this Agreement creates an arm’s length commercial relationship that cannot and will not be transformed into a fiduciary or other “special” relationship by course of dealing, by any indulgences or benefit that we bestow on you, or by inference from a party’s conduct. \_\_\_\_\_ (Franchisee’s Initials)

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**FRANCHISOR**

**FRANCHISEE**

IMAGE STUDIOS 360 FRANCHISE, LLC,  
a Utah limited liability company

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

Date: \_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

**EXHIBIT 2**  
**OWNERSHIP ADDENDUM TO IMAGE STUDIOS**  
**FRANCHISE AGREEMENT**

Image Studios 360 Franchise, LLC, (“we”, “us”, the “Company” or “Franchisor”) and \_\_\_\_\_, (“you” or “Franchisee”) have, as of \_\_\_\_\_ entered into a certain IMAGE Studios Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms, as set out below. The Parties therefore agree as follows:

1. Operating Partner.

The name and address of the Operating Partner is as follows:

Name

Address

\_\_\_\_\_

2. Entity Type of Franchisee

(a) Proprietorship. The Owner(s) of Franchisee (is)(are) as follows:

Name

Address

\_\_\_\_\_

(b) Corporation or Limited Liability Company.

Franchisee was organized on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. Its Federal Identification Number is \_\_\_\_\_. It has not conducted business under any name other than its corporate or company name. The following is a list of all of Franchisee’s directors and officers or managing members as of \_\_\_\_\_.

Director/Officer/Managing Member’s Names      Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(c) Partnership.

Franchise is a [general]\_\_\_\_ [limited]\_\_\_\_ partnership formed on \_\_\_\_\_ under the laws of the State of \_\_\_\_\_. Its Federal Identification Number is \_\_\_\_\_. It has not conducted business under any name other than its partnership name. The following is a list of all of Franchisee’s general partners as of \_\_\_\_\_.

General Partner’s Names

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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3. Owners. Franchisee and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Franchisee, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Franchisee. Franchisee and each Owner as to ~~their~~his/her ownership interest in Franchisee, represents and warrants that each Owner is the sole and exclusive legal beneficial owner of ~~their~~his/her ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by the Agreement.

<u>Owner's Name</u>	<u>Owners Address</u>	<u>Ownership Percentage</u>
<hr/>	<hr/>	<hr/>

4. Change. You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

5. Date of Addendum. The date of this Addendum \_\_\_\_\_.

**(Signatures on following page)**

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed ~~their~~<sup>his/her</sup> signature as of -  
\_\_\_\_\_.

**FRANCHISOR**

IMAGE STUDIOS 360 FRANCHISE, LLC,  
a Utah limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability  
company or other legal entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OWNERS:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT 3

### GUARANTY

In consideration of, and as an inducement to, the signing of an Image Studios 360 Franchise, LLC Franchise Agreement dated \_\_\_\_\_ (the "Agreement") by and between Image Studios 360 Franchise, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee"), each of the undersigned owners of a 10% or greater interest in Franchisee for themselves, their heirs, legal representatives, successors and assigns (collectively the "Guarantors") do hereby personally, unconditionally, individually, jointly and severally: (1) guarantee to Franchisor and to its successors and assigns, for the term of Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any modification or amendment to the Franchise Agreement) including the payment of all continuing license fees, marketing fees and all other fees and charges accruing pursuant to the Franchise Agreement and that each and every representation of Franchisee made in connection with the Agreement (and any modification or amendment to the Franchise Agreement) are true, correct and complete in all respects at and as of the time given; and (2) agree personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any modification or amendment to the Franchise Agreement).

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly and severally, shall be personally bound by each and every condition and term contained in the Franchise Agreement as though each of the Guarantors had signed a franchise agreement containing the identical terms and conditions of the Franchise Agreement, including the provisions relating to confidentiality and non-competition covenants. This Guaranty shall continue in favor of Franchisor notwithstanding any extension, modification, or alteration of the Franchise Agreement, and notwithstanding any assignment of the Franchise Agreement, with or without the Franchisor's consent. No extension, modification, alteration or assignment of the Franchise Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any extension, modification, alteration or assignment.

2. Each Guarantor's liability under this Guaranty is primary and independent of the liability of Franchisee and any other Guarantors. Each Guarantor waives any right to require Franchisor to proceed against any other person or to proceed against or exhaust any security held by Franchisor at any time or to pursue any right of action accruing to Franchisor under the Franchise Agreement. Franchisor may proceed against each Guarantor and Franchisee, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Franchisee or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty. Each Guarantor waives any right that the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each Guarantor waives any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

3. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against Franchisee.

4. Each Guarantor waives notice of any demand by Franchisor, any notice of default in the payment of any amounts contained or reserved in the Franchise Agreement (and any modification or amendment to the Franchise Agreement), or any other notice of default or nonperformance of any obligations under the Franchise Agreement. Each Guarantor waives protest and notice of default to any party with respect to indebtedness, default or nonperformance of any obligations under the Franchise Agreement (and any modification or amendment to the Franchise Agreement).

Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by Franchisor, or its successors or assigns, or the failure

of Franchisor to enforce any of the terms, covenants or conditions of the Franchise Agreement or this Guaranty, or the granting of any indulgence or extension of time to Franchisee, all of which may be given or done without notice to the Guarantors.

5. This Guaranty shall extend, in full force and effect, to any assignee or successor of Franchisor and shall be binding upon the Guarantors and each of their respective successors and assigns.

6. Until all obligations of Franchisee to Franchisor have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which Franchisor has or may in the future have against Franchisee and any benefit of, and any right to participate in, any security now or in the future held by Franchisor.

7. All existing and future indebtedness of Franchisee to each Guarantor is hereby subordinated to all indebtedness and other monetary obligations guaranteed in this Guaranty and, without the prior written consent of Franchisor, shall not be paid in whole or in part to any Guarantor, nor will any Guarantor accept any payment of or on account of any indebtedness while this Guaranty is in effect, unless at the time of this payment, all indebtedness and other monetary obligations to Franchisor are current under the terms of the Franchise Agreement.

8. Each Guarantor consents and agrees that the undersigned shall render any payment or performance required under this Guaranty and that the liability of each Guarantor shall be joint and several. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may periodically grant to Franchisee or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until satisfied in full.

9. Each Guarantor waives acceptance and notice of acceptance by Franchisor of the foregoing undertakings. Each Guarantor waives notice of any amendment to the Agreement.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

You and your owners irrevocably submit to the jurisdiction of the courts of the State of Utah in any suit, action or proceeding, arising out of or relating to this Guaranty or any other dispute between you and us, and you irrevocably agree that all claims in respect of any suit, action or proceeding must be brought and/or defended except with respect to matters that are under the exclusive jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in Salt Lake City, Utah. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of this suit, action, or proceeding and agree that service of process for purposes of any suit, action, or proceeding need not be personally served or served within the State of Utah, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a State or Federal Court.

**(Signatures on following page)**

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed ~~their~~<sup>his/her</sup> signature as of \_\_\_\_\_.

**“GUARANTOR(S)”**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT 4

### LEASE RIDER

This Lease Rider (this "Agreement") is signed as of \_\_\_\_\_ by and between \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Landlord") as an addendum to the lease (as periodically modified, amended, supplemented, renewed, and/or extended as contemplated herein, the "Lease") for the premises located at \_\_\_\_\_, state of \_\_\_\_\_ (the "Premises") dated \_\_\_\_\_.

The Lease is hereby modified to include the following provisions. In the event the provisions below contradict the provisions of the Lease, the provisions contained herein shall supersede any terms to the contrary set forth in the Lease.

WHEREAS, Franchisee has signed or intends to sign a Franchise Agreement (the "Franchise Agreement") with Image Studios 360 Franchise, LLC ("Franchisor") for the operation of an IMAGE Studios Salon at the Premises, and as a requirement thereof, the Lease for the Premises must include the provisions contained in this Addendum.

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

1. Landlord acknowledges that it has reviewed the approved IMAGE Studios "Design and Signage Package." Landlord agrees and consents to Franchisee's use of one or more of the signs described in the Design and Signage Package and all trade dress elements required by Franchisor.
2. Upon Franchisor's request, Franchisee hereby authorizes the Landlord to disclose to Franchisor sales and other information that Franchisee furnishes to the Landlord.
3. Landlord shall 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. Landlord shall provide Franchisor with the right (but not the obligation) to cure Franchisee's default. Such copies of any and all notices required or permitted hereby or by the Lease shall be sent to Franchisor at the following address, or to such other address that Franchisor may specify in writing to the Landlord from time to time:

Image Studios 360 Franchise, LLC  
~~1370 South 2100 East 551 West 400 North, Suite 101~~  
Salt Lake City, Utah 84108+6

4. Notwithstanding anything to the contrary contained in the Lease, Franchisee shall have the absolute right to sublet, assign, or otherwise transfer its interest in the Lease to Franchisor or any of its affiliates, or to a corporation with which the Franchisee or Franchisor may merge or consolidate, without Landlord's approval, written or otherwise.

Landlord agrees that Franchisor, or Franchisor's assignee or designee has the right (but not the obligation) to assume the Lease or sublease: (1) upon expiration or termination of the Franchise Agreement (without renewal) between Franchisee and Franchisor; (2) if Franchisee fails to exercise any options to renew or extend the Lease during the term of the Franchise Agreement between Franchisee and Franchisor; (3) if Franchisee commits a default that gives the Landlord the right to terminate the Lease or sublease; or (4) if Franchisor purchases Franchisee's salon (as permitted by the Franchise Agreement between Franchisor and Franchisee).

Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor notifies Landlord and Franchisee in writing that Franchisor assumes Franchisee's obligations under the Lease.

5. If Franchisor assumes the Lease, as above provided, Franchisor may further assign the Lease to another person or entity to operate the IMAGE Studios Salon at the Premises, subject to Landlord's consent, which consent will not be unreasonably withheld or delayed. Landlord agrees to sign such further documentation to confirm its consent to the assignments permitted under this Addendum as Franchisor may request.
6. 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 this entry by Franchisor, its employees, or its agents, onto the Premises. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as an IMAGE Studios Salon. Landlord agrees to permit Franchisor, its employees, or its agents, to enter the Premises and remove signs (both interior and exterior), décor, and materials displaying any marks, designs, or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.
7. Landlord agrees that during and after the term of the Lease, it will not disclose or use Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "**Confidential Information**" as used herein shall mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including all information identifying or describing the floor plan, equipment, furniture, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, trade dress, "look and feel," layout, design, formulas, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all Confidential Information belongs exclusively to Franchisor. Landlord agrees that should it breach or threaten to breach this provision of the Addendum, Franchisor will suffer irreparable damages and its remedy at law will be inadequate. Therefore, if Landlord threatens or actually breaches this provision, Franchisor (which, along with successors and assigns, is an intended third-party beneficiary of the provisions of this paragraph), shall be entitled to all remedies available to Franchisor at law or in equity, including injunctive relief.

WITNESS the signing hereof under seal.

LANDLORD:

FRANCHISEE

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT 5

### INVESTOR PERSONAL COVENANTS REGARDING CONFIDENTIALITY & NON-COMPETITION

In conjunction with your investment in \_\_\_\_\_ (“Franchisee”) a \_\_\_\_\_ [Utah limited liability company, etc.], you (“Investor” or “you”), acknowledge and agree as follows for the benefit of Image Studios 360 Franchise, LLC:

1. Franchisee owns and operates, or is developing, an IMAGE Studios Salon located at, or to be located at, \_\_\_\_\_ pursuant to a franchise agreement dated \_\_\_\_\_ (“Franchise Agreement”) with Image Studios 360 Franchise, LLC (“IMAGE Studios”), which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Franchise Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.
2. You own or intend to own the percentage legal or beneficial ownership interest in Franchisee, set forth beneath your signature below, and acknowledge set forth below your signature below and agree that your signing of this Agreement is a condition to this ownership interest and that you have received good and valuable consideration for signing this Agreement. IMAGE Studios may enforce this Agreement directly against you and your Owners (as defined below).
3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“Owners”) must also sign this Agreement.
4. You and your Owners, if any, may gain access to parts of IMAGE Studios’ Confidential Information as a result of investing in Franchisee. The Confidential Information is proprietary and includes IMAGE Studios’ trade secrets. You and your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Franchisee and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Franchisee, you and your Owners, if any, must deliver to IMAGE Studios any Confidential Information in your or their possession or control.
5. During the term of the Franchise Agreement and during this time as you and your Owners, if any, have any legal or beneficial ownership interest in Franchisee, you and your Owners, if any, agree that you and they will not, without IMAGE Studios’ written consent (which consent may be withheld at IMAGE Studios’ discretion) directly or indirectly (such as through an Affiliate or through your or their Immediate Families) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competitive Business located anywhere; or (b) any entity located anywhere which grants franchises, or licenses to others to operate any Competitive Business.
6. For a period of two years, starting on the earlier to occur of the date you or Owners cease to have any legal or beneficial ownership interest in Franchisee and the effective date of termination or expiration (without renewal) of the Franchise Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through you or their Immediate Families) shall own a legal or beneficial interest in, or render services or give advice to: (a) any Competitive Business operating within a radius of five miles of any IMAGE Studios Salon then in operation or under construction; (b) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; or (c) recruit or hire any person who is an employee of yours, ours or of any IMAGE Studios Salon operated by us, our Affiliates or any franchisee of ours without obtaining the employer’s consent, which consent may be withheld for any reason. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and IMAGE Studios obtains

enforcement in a judicial proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

7. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit these skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforceable to the fullest extent permissible under applicable law and public policy. In addition to relief as may be available at equity or law, IMAGE Studios may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledge that any violation of Sections 4, 5, or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If IMAGE Studios files a claim to enforce this Agreement and prevails in this proceeding, you must reimburse IMAGE Studios for all its costs and expenses, including reasonable attorneys' fees.
8. This Confidentiality and Non-Competition Agreement does not supersede nor cancel any prior understandings and agreements you and your Owners had with respect to these matters, including any provision of the Franchise Agreement and the Prospective Candidate Confidentiality Agreement previously entered into pertaining to confidentiality. You and your Owners have read this Confidentiality and Non-Competition Agreement thoroughly, understand it, and sign it freely and voluntarily.

**(Signatures on following page)**

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**INVESTOR**

If an individual

If a corporation, partnership, limited liability company or other legal entity

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
% Ownership of Franchisee: \_\_\_\_\_

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
% Ownership of Franchisee: \_\_\_\_\_

**OWNERS**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 6**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS  
(DIRECT DEBITS/ELECTRONIC FUNDS TRANSFER)**

**Important Instructions for Completing this Form:** Before we can process your Franchise Agreement, you must sign and return this authorization. If, at the time you sign your Franchise Agreement, you do not have your account set up, or if you do not yet know your account information, please show that you agree to the terms of this authorization by signing this form, leaving the account information blank, and returning the signed form with your Franchise Agreement. You can give us your account information when you receive it, but we must have the information before you open your Salon. If you have any questions about what this form means, you should get advice from your lawyer, your accountant or your bank.

Your Name (or name of legal entity on Franchise Agreement): \_\_\_\_\_

Your Social Security Number (or legal entity Federal Tax ID Number): \_\_\_\_\_

Name on Bank Account (if different than above): \_\_\_\_\_

The undersigned ("ACCOUNT HOLDER") hereby authorizes Image Studios 360 Franchise, LLC ("COMPANY") to initiate debit entries, electronic funds transfer, and/or credit correction entries to ACCOUNT HOLDER's checking and/or savings account(s) listed below at the bank, credit union or other depository listed below ("BANK") and to debit this account per COMPANY's instructions for any and all amounts due to COMPANY. The ACCOUNT HOLDER understands that all amounts debited or transferred from the account below will be credited to COMPANY's account. **INSTEAD OF COMPLETING THE INFORMATION REQUIRED ON THE FOLLOWING FOUR LINES, YOU MAY ATTACH A CANCELLED OR VOIDED CHECK TO THIS AUTHORIZATION, BECAUSE A VOIDED CHECK INCLUDES ALL OF THIS INFORMATION.**

NAME OF BANK	Branch	
City	State	Zip Code
Telephone Number of Bank	Contact Person at Bank	
Bank Transit/ABA Number	Account Number	

This authority is to remain in effect until BANK has received joint written notice from COMPANY and ACCOUNT HOLDER of the ACCOUNT HOLDER's termination. Any termination notice must be given in a way as to give BANK a reasonable opportunity to act on it. If a debit entry is initiated to ACCOUNT HOLDER's account in error, ACCOUNT HOLDER shall have the right to have the amount of the error credited to the account by BANK, if (a) within 15 calendar days following the date on which BANK sent to ACCOUNT HOLDER a statement of account or a written notice regarding this entry or (b) 45 days after posting, whichever occurs first, ACCOUNT HOLDER shall have sent to BANK a written notice identifying this entry, stating that this entry was in error and requesting BANK to credit the amount thereof to this account. These rights are in addition to any rights ACCOUNT HOLDER may have under federal and state banking laws.

\_\_\_\_\_  
ACCOUNT HOLDER

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

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

Date: \_\_\_\_\_

## EXHIBIT 7

### SITE SELECTION ADDENDUM

Image Studios 360 Franchise, LLC, (“we”, “us”, the “Company” or “Franchisor”) and \_\_\_\_\_, (“you” or “Franchisee”) have, as of \_\_\_\_\_ entered into a certain IMAGE Studios ~~360~~ Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms, as set out below. The Parties therefore agree as follows:

1. Premises. The Premises of the IMAGE Studios Salon as referred to in Section 2(A) of the Franchise Agreement, is the property commonly known as or described as:

\_\_\_\_\_  
\_\_\_\_\_

2. Criteria for Site Approval.

If no Premises has been approved by us (if the “Premises” Section above is blank) as of the date of the Franchise Agreement and this Site Selection Addendum, the Premises shall be considered “to-be-determined.” You must place the Premises at a location within the Designated Area (defined below) that is legally and contractually available pursuant to federal and state law and our contracts with our other franchisees or affiliate locations and in compliance with our franchise placement standards and guidelines.

You agree that within 180 days after the signing of the Franchise Agreement, you will locate and obtain our approval for a site within the Designated Area for the establishment of your Salon. For purposes of this Agreement, “Designated Area” is defined as \_\_\_\_\_.

You must submit to us the following:

- (a) a complete a site proposal form containing population, growth, income, and other potential customer demographics information, traffic patterns, access, visibility, location of other retail salons and relative sales performance (including other IMAGE Studios Salons) and size, condition, configuration, appearance and other physical characteristics of the site and all other information that we reasonably require for the site;
- (b) if the Premises for the proposed site are to be leased, satisfactory evidence that the lessor will agree to the minimum requirements contained in the Lease Rider to be signed between you and the lessor, attached to the Franchise Agreement as Exhibit D; and
- (c) any other information or materials as we may require, such as a letter of intent or other document which confirms your favorable prospects for obtaining the proposed site.

2. Site Approval.

We will approve or reject each site for which you submit to us a complete Site Proposal Package in accordance with Section 3A of the Franchise Agreement and, if we approve the site, we will do so by delivering our standard Site Approval Letter. Our Site Approval Letter, duly signed by us, is the exclusive means by which we approve a proposed site, and no other direct or indirect representation, approval or acceptance, whether in writing or verbally, by any of our officers, employees or agents, shall be effective or bind us. We will use all reasonable efforts to make a site approval decision and, if the site is approved, deliver a Site Approval Letter to you within 30 days after we receive the complete Site Proposal Package and any other materials we have requested. In deciding whether to approve or reject a site you propose, we may consider such factors as we, in our sole discretion, deem appropriate, including the general location and neighborhood, population, growth, income, and other potential customer demographics information, traffic patterns, access, visibility, location of other salons (including other IMAGE Studios Salons) and size, condition, configuration, appearance and other physical

characteristics of the site. Neither our approval of a proposed site, nor any information communicated to you regarding our standard site selection criteria or the proposed site, constitutes a warranty or representation of any kind, express or implied, as to the suitability of the proposed site, but merely signifies that we are willing to grant a franchise for an IMAGE Studios Salon at that location in accordance with the terms of the Franchise Agreement. Your decision to develop and operate an IMAGE Studios Salon at any site is based solely on your own independent investigation of the suitability of the site for an IMAGE Studios Salon. In consideration of our approval of a proposed site, you and your Owners agree to release us, and our Affiliates, shareholders, members, officers, directors, employees, agents, successors and assigns from any and all loss, damages and liability arising from or in connection with the selection and/or approval of this site for the development of an IMAGE Studios Salon.

3. Costs of On-Site Evaluation.

We may also provide an on-site evaluation of sites proposed pursuant hereto as we deem necessary or appropriate. If we deem it necessary to provide an on-site evaluation of the proposed site, you must coordinate and arrange for the visit by our representative or agent and may be required to pay our related travel expenses.

4. Extensions.

Upon your written request, we, at our sole discretion and without obligation, may grant a written extension or extensions to the period for approval of a proposed site.

5. Purchase Agreement/Lease.

You must lease, sublease or purchase the Premises within 180 days after signing the Franchise Agreement. We have the right to approve the terms of any lease, sublease or purchase contract for the Premises, and you must deliver a copy to us for our approval before you sign it. You agree that any lease or sublease for the Premises must, in form and substance, be satisfactory to us, include all of the provisions set forth on Exhibit D. You may not sign a lease, sublease or purchase contract or any modification thereof without our approval. Our approval of the lease, sublease, or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the lease, sublease or purchase contract, assume any liability or responsibility to you or to any third parties. You must deliver a copy of the fully signed lease, sublease, or purchase contract to us within five days after its signing. If you, one of your Owners, or one of your Affiliates at any time owns the Premises, you must immediately notify us and we may require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatsoever reason) of the Franchise Agreement, to lease the Premises at fair market rental rates for a term coterminus with the term of the Franchise Agreement for these Premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminus with the term of the Franchise Agreement for these Premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then current lease and the sublease forms used by us.

If the lease for your Salon expires or is terminated before the end of the term, you may move your Salon to another location chosen in accordance with our site evaluation and approval process found in Section 3A of the Franchise Agreement. The new location (1) must be in the original Salon's Designated Area, as determined by us, (2) must be legally available pursuant to federal and state law; (3) must be in compliance with our franchise placement standards and guidelines; and (4) may in no case infringe upon a franchise agreement or other agreement applicable to another Salon.

If you lose possession of your Salon's Premises because the lease expired by its terms, or on account of condemnation or eminent domain proceedings, or as the result of early termination pursuant to Section 14 of the Franchise Agreement, you must initiate the relocation procedure in time to lease, build-out and open your Salon for business within 60 days after the original Salon closes. If your lease is terminated on account of a fire or other casualty, you must initiate the relocation procedure in time to lease, build-out and open your Salon for business within 120 days after the lease for the original Salon terminates.

6. Affect and Interpretation.

This Addendum will be considered an integral part of the Franchise Agreement between the Parties, and the terms of this Addendum will be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

**(Signatures on following page)**

IN WITNESS WHEREOF, the Parties have signed and delivered this Agreement on the day and year first above written.

**FRANCHISOR**

IMAGE STUDIOS 360 FRANCHISE, LLC,  
a Utah limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 8**

**ASSIGNMENT OF TELEPHONE NUMBER(S)**

This Assignment relates to:

Name of Franchisee: \_\_\_\_\_

Address of Salon: \_\_\_\_\_

Telephone Number(s): (\_\_\_\_) \_\_\_\_ - \_\_\_\_ ; (\_\_\_\_) \_\_\_\_ - \_\_\_\_ ; (\_\_\_\_) \_\_\_\_ - \_\_\_\_

For valuable consideration, the Franchisee identified above (“Franchisee”) assigns and transfers to Image Studios 360 Franchise, LLC, (the “Company”) all of Franchisee’s rights and interests in each and all of the telephone numbers listed above (the “Numbers”).

Franchisee authorizes the Company to file this Assignment with the telephone company that issued the Numbers for the purposes of establishing the Company’s claim to and right to designate the user of the Numbers.

Franchisee irrevocably constitutes and appoints the Company as Franchisee’s agent and attorney-in-fact for the purposes of (i) signing and delivering any Transfer of Service Agreement or comparable document the telephone company requires to transfer the rights in the Numbers from Franchisee to the Company or its designee, and (ii) canceling a revoking any call-forwarding or similar instructions Franchisee has issued to the telephone company with respect to any of the Numbers, with full power to sign Franchisee’s name and otherwise to act in Franchisee’s name, place, and stead.

Franchisee agrees to reimburse the Company the full amount of any local service and long-distance charges the telephone company requires that the Company pay to obtain the Numbers, together with interest as provided in the Franchise Agreement for the Salon.

Franchisee represents and warrants to the Company that Franchisee obtained the Numbers in his or her own name, and that Franchisee is the person of record the telephone company will recognize as registered user or “owner” of the Numbers.

FRANCHISEE:

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

Date: \_\_\_\_\_

**EXHIBIT 9**

**SBA ADDENDUM**  
**TO**  
**IMAGE STUDIOS 360 FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

This ADDENDUM TO IMAGE STUDIOS AGREEMENT (the “Addendum”) is made and entered into on \_\_\_\_\_ by and between Image Studios 360 Franchise, LLC, a Utah limited liability company located at 1370 South 2100 East 551 West 400 North, Suite 101, Salt Lake City, Utah 84108+6 (“Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ located \_\_\_\_\_ at \_\_\_\_\_ (“Franchisee”).

RECITALS: Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_ (the “Franchise Agreement”). Franchisee agreed among other things to operate and maintain a franchise located at \_\_\_\_\_ designated by Franchisor as Unit # \_\_\_\_\_. Franchisee has obtained from a lender a loan (the “Loan”) in which funding is provided with the assistance of the United States Small Business Administration (the “SBA”). The SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured as of the date hereof.
2. Section 13.G of the Franchise Agreement provides that Franchisor (or any third-party assignee of Franchisor) may elect pursuant to its right of first refusal to exercise said option when Franchisee decides to sell partial interest(s) in the business. This section is hereby amended to reflect that Franchisor (or any third-party assignee of Franchisor) will not exercise the option for any partial sale of Franchisee’s business. Franchisor (or any third-party assignee of Franchisor) may not become a partial owner of any SBA-financed franchises.
3. Under Section 18.J of the Franchise Agreement, Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer or assignment by Franchisee that requires Franchisor’s consent.
4. Section 15.E of the Franchise Agreement is amended so that Franchisee is given the option to decide, in its sole discretion, whether to sell its real estate to Franchisor or any of its affiliates, as the case may be, upon termination or expiration of the Franchise Agreement. Upon termination of the Franchise Agreement, Franchisor may have the option to lease for the remainder of Franchisee’s term (excluding additional renewals) for fair market value.
5. The right of Franchisor to assume Franchisee’s lease referenced in Section 3.B of the Franchise Agreement may not be recorded against the real estate. Any recording done in

contravention of this Addendum must be subordinated to any SBA-financed loan and may not include any attornment language.

6. This Addendum automatically terminates on the earliest to occur of the following: (i) a termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) the SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum to IMAGE Studios Agreement as of the day and year first above written.

**FRANCHISOR:**  
**IMAGE STUDIOS 360 FRANCHISE, LLC**

**FRANCHISEE:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 10**

SPOUSAL CONSENT  
TO  
IMAGE STUDIOS 360 FRANCHISE, LLC  
FRANCHISE AGREEMENT

Each of the undersigned, each being the spouse of an individual who executed the franchise agreement to which this exhibit is attached (the “Franchise Agreement”) as “Franchisee,” or if “Franchisee” is a business entity or partnership, a spouse of an owner of the business entity or general partner, consents to all of the terms of the Franchise Agreement and the execution of it.

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

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

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

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

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

**EXHIBIT D**

**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**

**DEVELOPMENT AGREEMENT**

# DEVELOPMENT AGREEMENT

**Image Studios 360 Franchise, LLC**

A Utah Limited Liability Company

~~1370 South 2100 East 551 West 400 North, Suite 101~~

Salt Lake City, Utah 8410816

(888) 785-7858 – Phone

(801) 618-4058 – Fax

info@ImageStudios360.com

www.imagestudiosfranchise.com



## IMAGE STUDIOS DEVELOPMENT AGREEMENT

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Developer

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Area

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Date of Agreement

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# IMAGE STUDIOS 360 FRANCHISE, LLC DEVELOPMENT AGREEMENT

This Development Agreement (the "Agreement") is made and entered into as of \_\_\_\_\_, by and between Image Studios 360 Franchise, LLC, a Utah limited liability company, with its principal place of business at ~~1370 South 2100 East 551 West 400 North, Suite 101~~, Salt Lake City, Utah 841~~0816~~ ("we", "us", the "Company" or "Franchisor") and \_\_\_\_\_, ("you" or "Developer"), a(n) \_\_\_\_\_, whose principal address is \_\_\_\_\_ [Address]. The Company and Developer may sometimes collectively be referred to in this Agreement as the "parties."

## 1. INTRODUCTION

### A. IMAGE STUDIOS SALONS.

We own, operate, and franchise IMAGE Studios Salons, an upscale, modern and creative business model that licenses individual turn-key salon studios to independent professionals including hair stylists, estheticians, nail techs, massage therapists and other salon professionals under the trademark "IMAGE Studios" in a salon mall setting using our innovative build-out system (the "System" or the "IMAGE Studios System"). We and or our Affiliates, have developed and own a comprehensive system for developing and operating IMAGE Studios Salons, which includes trademarks, distinctive building designs and layouts, modern décor and color schemes, industry-specific equipment, rental space sources, advertising methods and strategies, specifications and procedures for quality control, methods of inventory control, marketing materials, training and education programs and certain operational and business standards and policies, all of which we may improve, further develop or otherwise modify.

### B. YOUR ACKNOWLEDGEMENTS.

You have read and understood this Agreement, our Franchise Disclosure Document, and all agreements relating to these documents. You acknowledge that you have had ample time and opportunity to consult advisors of your own choosing about the potential benefits and risks of entering into this Agreement. You understand the terms, conditions, and covenants of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high-quality standards at all IMAGE Studios Salons to protect and preserve the goodwill of the Marks and the integrity of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the salon industry is highly competitive. You recognize that the nature of IMAGE Studios Salons may change over time, that an investment in IMAGE Studios Salon involves business risks and that the success of the venture is largely dependent on your own business abilities, efforts, and financial resources.

### C. YOUR REPRESENTATIONS.

You and your Principal Owners, jointly and severally, if applicable, represent and warrant to us that: (1) neither you nor any of your Principal Owners has made any untrue statement of any material fact or has omitted to state any material fact in the written information you have submitted in obtaining the rights granted hereunder; (2) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as you have otherwise completely and accurately disclosed in writing to us in connection with obtaining the rights granted hereunder; and (3) the signing and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have signed this Agreement in reliance on all of the statements you and your Owners have made in writing in connection with this Agreement.

## 2. DEVELOPMENT RIGHTS.

### A. TERM AND DEVELOPMENT FEE.

Unless sooner terminated in accordance with Section 9, the term of this Agreement (the “Term”) starts on the dates hereof and expires on the earlier of the expiration date set forth in Exhibit 1 or the date upon which Developer opens for operation the cumulative number of IMAGE Studios Salons in the Development Area (as this term is defined in Section 2B hereof) set forth in Exhibit 1. You have no right to renew or extend your rights under this Agreement. At the time you sign this Agreement, you must pay us the nonrefundable Development Fee set forth in Exhibit 1 (the “Development Fee”) for the right to develop IMAGE Studios Salons within the Development Area. The Development Fee is fully earned upon payment and is not refundable under any circumstances. Any deposit we may require you to pay us in connection with the ADA Application for the rights granted hereunder will be credited against the Development Fee.

### B. DEVELOPMENT RIGHTS.

During the Term and provided you and your Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates (including Franchise Agreements signed pursuant to this Agreement), we will: (1) grant to you, in accordance with Section 3, that cumulative number of franchises for IMAGE Studios Salons set forth in Exhibit 1, all of which are to be located within the geographic area described in Exhibit 1 (the “Development Area”); You acknowledge and agree that any franchises to be opened pursuant to this Agreement must be placed at an approved location that is legally available pursuant to federal and state law, contractually available pursuant to our contractual commitments with other franchisees, and must comply with our reasonable placement, market, development, and demographic standards and criteria. You further acknowledge and agree that you have no exclusive territory protection in or related to the Development Area or any other locations or development territory.

### C. DEVELOPMENT OBLIGATIONS.

You must have open and operating in the Development Area in accordance with and pursuant to Franchise Agreements, that cumulative number of IMAGE Studios Salons set forth in Exhibit 1 by the corresponding dates set forth therein (“Development Schedule”). Time is of the essence in this Agreement, and any requests by you to extend the Development Schedule may be granted or denied by us for any reason or no reason. Your failure to develop and operate IMAGE Studios Salons in accordance with the Development Schedule is a material breach of this Agreement for which we have the right to exercise any and all rights and remedies conferred under this Agreement and applicable law, including the right, in our sole discretion, to terminate this Agreement pursuant to Section 9B without prejudice to our recovery of damages. This Section 2C shall survive the expiration or termination of this Agreement and shall continue in full force and effect until satisfied in full or by its nature expires.

### D. OUR RESERVATION OF RIGHTS.

Except as otherwise expressly provided in this Agreement, we and all of our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation, or otherwise) retain all of our rights and discretion with respect to the Marks, the System Standards, and IMAGE Studios Salons anywhere in the world, and the right to engage in any business whatsoever, including the right to: (1) operate, and grant to others the right to operate, IMAGE Studios Salons at these locations and on these terms and conditions as deemed appropriate (you acknowledge that these IMAGE Studios Salons may be in direct competition with your Salon, without regard to any adverse effects of these activities on your Salon and without any obligation or liability to you); (2) sell any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through other channels of distribution (including, wholesale distribution through Internet, catalogs, and other outlets); and (3) operate, and grant to others the right to operate, salon establishments (including other non-IMAGE Studios Salons) identified by tradenames, trademarks, service

marks or trade dress, other than the Marks, pursuant to these terms and conditions as we deem appropriate. You acknowledge and agree that, except as expressly provided to the contrary in Section 2B hereof, your rights hereunder shall be non-exclusive. You waive, to the fullest extent permitted under law, all claims, demands or causes of action arising from or related to any of the foregoing activities by us or any of our Affiliates.

E. DEVELOPMENT OF TARGET STORES.

(1) If during the Term, we locate a site within the Development Area at which an IMAGE Studios Salon is not then operated but which, in our judgment, is suitable for an IMAGE Studios Salon (a "Target Site"), we will, as soon as is practicable after the site is identified (taking into consideration any applicable contractual or legal prohibitions or limitations), notify you in writing of the Target Site if we intend that the Target Site be developed and operated as an IMAGE Studios Salon. Within 10 days after your receipt of our notice regarding the Target Site (including any relevant site-related materials in our possession), you will notify us if you desire to develop and operate an IMAGE Studios Salon at the Target Site described in the notice.

(2) If you timely notify us in writing that you desire to develop and operate an IMAGE Studios Salon at the Target Site and we have fully negotiated a lease or purchase agreement for the Target Site, then you will (1) obtain the consent of the landlord to execute and will execute the lease or an assignment and assumption of lease, if applicable, or obtain the consent of the seller to execute and will execute a purchase agreement or an assignment and assumption of purchase agreement, if applicable; (2) execute a Franchise Agreement and such ancillary documents as are then customarily used by us in the grant of franchises for IMAGE Studios Salon, as modified for use in connection with the Target Site (the "Franchise Documents"), and pay the fees, including the initial franchise fee, that we are then charging for new IMAGE Studios franchises; and (3) pay us a site location and negotiation fee plus our reasonable out-of-pocket expenses incurred in locating the Target Site and negotiating the lease or purchase agreement, all within 10 days after our delivery to you of the lease or purchase agreement, as the case may be, and the Franchise Documents. We will fully cooperate with you in obtaining the landlord's consent to your execution of the lease or the seller's consent to your execution of the purchase agreement or assignment of purchase agreement, as the case may be.

(3) If you timely notify us in writing that you desire to develop and operate an IMAGE Studios Salon at the Target Site and we have not fully negotiated a lease or purchase agreement for the Target Site, then you will have 30 days in which to negotiate and deliver to us a lease or purchase agreement for the Target Site in form for execution. If we disapprove the lease or purchase agreement for failure to meet our requirements, you will have 10 days within which to negotiate and deliver to us a revised lease or purchase agreement for the Target Site in form for execution. If we approve the lease or the purchase agreement for the Target Site, then you will (1) execute the lease or purchase agreement, as applicable; (2) execute the Franchise Documents and pay the fees, including the initial franchise fee that we are then charging for new IMAGE Studios franchises; and (3) pay to us a site location fee plus our reasonable out-of-pocket expenses in locating the Target Site and, to the extent applicable, partially negotiating the lease or purchase agreement, all within 10 days after our delivery of the Franchise Documents to you.

(4) If you (1) decline the option to develop a Target Site, (2) fail to timely notify us of your election to develop a Target Site, or (3) fail to timely execute the approved lease or purchase agreement and Franchise Documents for a Target Site and pay the applicable fees as provided above, then we or one of our Affiliates may develop and operate an IMAGE Studios Salon at the Target Site or grant a franchise to a third party to develop and operate an IMAGE Studios Salon at the Target Site. Any Target Site developed by us or one of our Affiliates will not count towards the Development Schedule and put You in material breach and default of this agreement.

(5) Any Target Site for which you execute the Franchise Documents and develop and open an IMAGE Studios Salon will count towards the Development Schedule.

(6) We are not required to give notice to you or to offer you a franchise to develop an IMAGE Studios Salon with regard to any Target Site in the Development Area, and we may develop and open (or franchise others to develop and operate) an IMAGE Studios Salon at the Target Site, after the total number of sites for which you have executed a Franchise Agreement and accepted as Target Sites equals the number required under your Development Schedule.

### **3. GRANT OF FRANCHISES.**

#### **A. SITE SELECTION ASSISTANCE.**

We may furnish you with our standard site selection criteria and assistance for IMAGE Studios Salons as we may periodically establish. We may also provide such on-site evaluation of sites as we deem necessary or appropriate. If we deem it necessary to provide an on-site evaluation of the proposed site, you must coordinate and arrange for the visit by our representative or agent, and you may be required to pay our related travel expenses.

#### **B. SITE EVALUATION AND APPROVAL.**

We will approve sites for the cumulative number of IMAGE Studios Salons set forth in Exhibit 1 located within the Development Area in accordance with the following provisions:

(1) You must complete and submit to us, in accordance with procedures we periodically establish our then current site proposal application (the "Site Proposal Package"), containing demographic information, traffic patterns, access, visibility, location of other retail establishments (including other IMAGE Studios Salons) and size, condition, configuration, appearance and other physical characteristics of the site and all other information that we reasonably require for each site for an IMAGE Studios Salon that you propose to develop and operate and that you in good faith believe to conform to our then-current standard selection criteria for IMAGE Studios Salons;

(2) We will approve or reject each site for which you submit to us a complete Site Proposal Package in accordance with Section 3B (1) and, if we approve the site, we will do so by delivering our standard Site Approval Letter. Our Site Approval Letter, duly signed by us, is the exclusive means by which we approve a proposed site, and no other direct or indirect representation, approval or acceptance, whether in writing or verbally, by any of our officers, employees or agents, shall be effective or bind us. We will use all reasonable efforts to make a site approval decision and, if the site is approved, deliver a Site Approval Letter to you within 30 days after we receive the complete Site Proposal Package and any other materials we have requested. In deciding whether to approve or reject a site you propose, we may consider these factors as we, in our sole discretion, deem appropriate, including the general location and neighborhood, demographic information, traffic patterns, access, visibility, location of other retail establishments (including other IMAGE Studios Salons) and size, condition, configuration, appearance and other physical characteristics of the site. Neither our approval of a proposed site, nor any information communicated to you regarding our standard site selection criteria or the proposed site, nor any information communicated to you regarding our standard site selection criteria or the proposed site, constitutes a warranty or representation of any kind, express or implied, as to the suitability of the proposed site merely signifies that we are willing to grant a franchise for an IMAGE Studios Salon at that location in accordance with the terms of this Agreement. Your decision to develop and operate an IMAGE Studios Salon at any site is based solely on your own independent investigation of the suitability of the site for an IMAGE Studios Salon. In consideration of our approval of a proposed site, you and your Owners agree to release us, and our Affiliates, shareholders, members, officers, directors,

employees, agents, successors and assigns from any and all loss, damages and liability arising from or in connection with the selection and/or approval of this site for the development of an IMAGE Studios Salon.

(3) If you, one of your Owners, or one of your Affiliates at any time owns the Premises, you must immediately notify us and we may require that you or this Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatsoever reason) of the Franchise Agreement, to lease the Premises at fair market rental rates for a term coterminous with the term of the Franchise Agreement for these Premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminous with the term of the Franchise Agreement for these Premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then current lease and the sublease forms used by us.

If the lease for your Salon expires or is terminated before the end of the term, you may move your Salon to another location chosen in accordance with our site evaluation and approval process found in Section 3B. The new location (1) must be in the original Salon's Designated Area, as determined by us, (2) must be legally available pursuant to federal and state law; (3) must be in compliance with our franchise placement standards and guidelines; and (4) may in no case infringe upon a franchise agreement or other agreement applicable to another Salon.

(4) You must provide any other information or materials as we may require, such as a letter of intent or other document which confirms your favorable prospects for obtaining the proposed site.

If you have not obtained legal possession of the Premises within 120 days of the date of Site Approval Letter, we have the right to retract this approval.

#### C. FINANCIAL QUALIFICATIONS.

In conjunction with our decision whether to accept or reject a proposed site, we may require that you and your Principal Owners furnish us financial statements (historical and pro forma), statements of the sources and uses of capital funds, budgets and other information regarding yourself, your Principal Owners and each legal entity, if any, involved in the development, ownership and operation of any IMAGE Studios Salon you propose, as well as any then existing IMAGE Studios Salons you or your Affiliates own. All information shall be verified by you and your Principal Owners as being complete and accurate in all respects, shall be submitted to us in accordance with our requirements and will be relied on by us in determining whether to grant a franchise for the proposed IMAGE Studios Salon. We may refuse to grant you a franchise for an IMAGE Studios Salon if you fail to demonstrate sufficient financial and management capabilities to properly develop and operate the proposed IMAGE Studios Salon and the then-existing IMAGE Studios Salons you and your Affiliates own. We will evaluate these financial and management capabilities in accordance with the then-current standards we use to establish IMAGE Studios Salons in other comparable market areas.

#### D. GRANT OF FRANCHISE.

If we accept a proposed site pursuant to Section 3B, and you demonstrate the requisite financial and management capabilities (if requested by us) pursuant to Section 3C, then we agree to offer you the rights to a franchise to operate an IMAGE Studios Salon at the proposed site by delivering to you our then-current form of standard franchise agreement, together with all standard ancillary documents (including exhibits, addendum, riders, collateral assignments of leases, Principal Owner guarantees and other related documents) that we then customarily use in granting franchises for the operation of IMAGE Studios Salons in the state in which the IMAGE Studios Salon is to be located (the "Franchise Agreement"), as follows:

(1) The Franchise Agreement must be signed by you and your Owners and returned to us not earlier than seven calendar days and not later than 15 business days after we deliver it to you. The timeframe and process for signing the franchise agreement and may be revised so that the offer and sale are conducted in compliance with relevant state and federal franchise disclosure and registrations laws, as reasonably directed by us. If we do not receive the fully signed Franchise Agreement and payment of the initial franchise fee as required hereunder, we may revoke our offer to grant you a franchise to operate an IMAGE Studios Salon at the proposed site and may revoke our acceptance of the proposed site. Concurrently with your signing and delivery to us each Franchise Agreement, you and your Owners and Affiliates must, except if limited or prohibited by applicable law, sign and deliver to us a general release in form and substance satisfactory to us, of any and all claims against us, our Affiliates and shareholders, members, officers, directors, employees, agents, successors and assigns; and

(2) The parties acknowledge and agree that, upon payment of the Development Fee (outlined above), you will not be required to pay to us an additional “initial franchise fee” pursuant to any franchise agreement that you enter into to fulfill your development obligations under this Agreement. The royalty fees shall not exceed the percentage set forth in our standard form Franchise Agreement being offered as of the date of this Agreement. You acknowledge and agree that no portion of the Development Fee shall be refunded for any IMAGE Studios Salon that you have failed to develop in accordance with the terms of this Agreement.

#### **4. YOUR ORGANIZATION AND MANAGEMENT.**

##### **A. ORGANIZATIONAL DOCUMENTS.**

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Principal Owners represent, warrant, and agree that: (1) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state(s) in which the Development Area is located; (2) you have the authority to sign and deliver this Agreement and to perform your obligations hereunder; (3) true and complete copies of the articles or certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control (“Organizational Documents”) shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (4) any and all amendments, deletions and additions to your Organizational Documents shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (5) your activities are restricted to those necessary solely for the development, ownership and operation of IMAGE Studios Salons in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates; (6) the articles or certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (7) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to these restrictions; and (8) you will deliver to us a Secretary/Clerk’s Certificate or other evidence satisfactory to us, that the signing, delivery and performance of this Agreement, each Franchise Agreement, and all other agreements and ancillary documents contemplated hereby or thereby have been duly authorized by all necessary action by your corporation, partnership, limited liability company or other legal entity, as applicable.

B. DISCLOSURE OF OWNERSHIP.

You and each of your Principal Owners represent, warrant and agree that Exhibit 2 is current, complete and accurate. You agree that the updated Exhibit 2 will be furnished promptly to us, so that Exhibit 2 (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes a Principal Owner must sign an agreement in the form we may choose to prescribe, undertaking to be jointly and severally by the terms of this Agreement, the current form of which is attached as Exhibit 3. Each person who is or becomes an Owner, but not a Principal Owner, must sign an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in this Agreement, the current form of which is attached as Exhibit 4. Each Owner must be an individual acting in his/her individual capacity, unless we waive this requirement.

C. OPERATING PARTNER/MANAGEMENT OF BUSINESS.

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in Exhibit 2 as the "Operating Partner" an individual approved by us who must: (1) in our discretion, own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 10 (ten) percent interest in your equity; (2) have the authority to bind you regarding all operational decisions with respect to your IMAGE Studios Salons; and (3) have completed our training to our satisfaction.

You (or your Operating Partner): (1) shall exert your full-time and best efforts to the development and operation of all IMAGE Studios Salons you own; and (2) may not engage in any other business activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You must provide us with a copy of any proposed arrangement, agreement or contract, and all amendments, with your Operating Partner for our prior review and approval, and upon approval thereof, signed copies thereof. The agreement should include a provision that if the Operating Partner is terminated, for whatever reason, he/she shall not for a period of two years after this termination, recruit or hire any person who is an employee of yours, ours, or any IMAGE Studios Salon operated by us, our Affiliates, or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments, on account of our approval thereof or otherwise, and you must indemnify and hold us harmless with respect thereto. Each of your Salons at all times must be managed by you (or your Operating Partner) or by an on-site general or assistant manager, or a shift supervisor who has completed our training programs to our satisfaction. If the relationship with your Operating Partner terminates, you must hire a successor Operating Partner within one calendar year from the termination date of the former Operating Partner. Failure to notify us of your Operating Partner's termination or failure to hire or select a successor Operating Partner who satisfies the requirements provided for in this Section will be considered as a breach of this Agreement.

Before opening your first Salon, you (or your Operating Partner) and any other personnel who are intended to have, or who actually have, responsibilities for more than one IMAGE Studios Salon must complete the appropriate training program to our satisfaction. Thereafter, subsequently hired personnel must complete the appropriate training program to our satisfaction before assuming their position.

5. RELATIONSHIP OF THE PARTIES.

A. INDEPENDENT CONTRACTORS.

Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties. Franchisor and Developer, as between themselves, are and shall be independent contractors.

You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interest of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions could have been made by us; (2) our decision or the action we take promotes our financial or other individual interest; (3) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned or company-affiliated operations; or (4) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that this covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others as the owner of development rights granted hereunder and must place these other notices of independent ownership on such forms, business cards, stationery, advertising, and other materials as we may periodically require.

You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

#### B. INDEMNIFICATION.

You must indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively "Indemnitees"), and to hold the Indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the Indemnitees in connection with the development, ownership, operation or closing of any of your IMAGE Studios Salons (collectively "Event"), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the Indemnitees, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the Indemnitees or the gross negligence or willful acts of Indemnitees. The term "losses and expenses" includes compensatory, exemplary, and punitive damages; fines and penalties; attorney's fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any Event of which we become aware for which indemnification may be required and we may elect (but are not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle

any Event or take other remedial or corrective actions as may be necessary for the protection of Indemnitees or IMAGE Studios Salons generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with your Franchise Agreement agrees to undertake the defense of an Event (an “Insured Event”), we agree not to exercise our right to select counsel to defend Event if this would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section 5B shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

C. OWNERSHIP OF THE MARKS.

Your right to use the Marks arises solely from, and is limited to, Franchise Agreements entered into between you and us. Your right is limited to conducting business pursuant to and in compliance with Franchise Agreements entered into between you and us. Your unauthorized use of any of the Marks constitutes a breach of these Agreements and this Agreement and an infringement of our rights to the Marks. Neither this Agreement nor any of the Franchise Agreements entered into between you and us, confer on you any goodwill or other interests in the Marks. Your use of the Marks and any goodwill established thereby inures to our exclusive benefit. All provisions of the Franchise Agreements applicable to the Marks apply to any additional or substitute Marks we authorize you to use. You may not use any Mark (or any abbreviation, modification or colorable imitation) as a part of any corporate or legal business name or in any other manner including any Internet related use such as an electronic media identifier for social media pages, social handles, websites, web pages or domain names not expressly authorized by us in writing. You may not at any time during or after the Term, contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks.

6. RESTRICTIVE COVENANTS.

A. CONFIDENTIAL INFORMATION.

You acknowledge that we possess proprietary knowledge and information regarding the operating procedures of IMAGE Studios Salons, and other Confidential Information. We may disclose Confidential Information to you, your Owners, or your personnel in the training program, the Manuals and/or in guidance furnished to you during the term of the Agreement.

We will disclose parts of our Confidential Information to you solely for your use in connection with this Agreement. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (1) you and your Owners may not use the Confidential Information in any other business or capacity (you and your Owner’s acknowledge this use is an unfair method of competition); (2) you and your Owners must maintain the confidentiality of the Confidential Information; (3) you and your Owners may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic, or other form; (4) you and your Owners must implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Owners, officers, directors, Operating Partners, general managers, assistant managers, prep cooks, and the like, and you and your Owners must deliver these agreements to us; (5) you and your Owners must not disclose during or after the Term of the Franchise Agreement any of the Confidential Information; (6) you, your Owners, general managers, assistant managers, team trainers, shift supervisors, and all other personnel will be required to sign a standard confidentiality agreement for any trade secrets and Confidential Information herein described and to conform with the covenants not to compete; and (7) you and/or your Owners must immediately notify us if there is an improper disclosure and if it is determined that there was negligence in protecting the behavior, you can be sued for damages.

At the end of the Term, you and your Owners must deliver to us all Confidential Information in your possession or control. Your restrictions on disclosure and use of Confidential Information do not apply to

information or techniques which are or become generally known in the salon industry (other than through your own disclosure), provided you obtain our prior written consent to this disclosure or use.

B. IN-TERM COVENANTS.

During the Term, neither you nor any of your Owners may, without our prior consent (which consent may be withheld at our discretion):

(1) directly or indirectly (such as through a member of his/her or their Immediate Families) own any legal or beneficial interest in, or render services or give advice to: (i) any business in which leasing salon studios constitutes more than 20% of its revenues or any franchisor or licensor of the same (each a “**Competitive Business**”) located anywhere; or (ii) any entity located anywhere which grants franchises, licenses or other interests to others to operate any Competitive Business; or

(2) divert or attempt to divert any business, customer or business partner of IMAGE Studios Salons to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

C. INFORMATION EXCHANGE.

All processes, ideas, concepts, methods, techniques, or materials used or useful to a salon, whether or not constituting protectable intellectual property, that you create, or that are created on your behalf, in connection with the development or operation of your Salons must be promptly disclosed to us. If we adopt any of them as part of the System Standards, they will be deemed to be our sole and exclusive property and deemed to be works made-for-hire for us. You must sign whatever assignment or other documents we request to evidence our ownership or to assist us in securing intellectual property rights in these processes, ideas, concepts, methods, techniques, or materials.

7. FRANCHISOR’S RIGHTS TO TRANSFER.

A. FRANCHISOR’S RIGHTS.

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interest in this Agreement.

8. DEVELOPER’S RIGHTS TO TRANSFER.

A. FRANCHISOR’S APPROVAL.

Your rights and duties under this Agreement are personal to you or, if you are a business corporation, partnership, limited liability company or other legal entity, your Owners. Accordingly, neither you nor any of your Owners may transfer the Franchise without our approval and without complying with all of the provisions of this Section 8. Any transfer without this approval or compliance constitutes a breach of this Agreement and is void and of no force or effect. You may not under any circumstance directly or indirectly subfranchise or sublicense any of your rights hereunder.

B. CONDITIONS FOR APPROVAL.

If we have not exercised our right of first refusal under Section 8F, we will not unreasonably withhold our approval of a Transfer of the Development Rights that meets all of the reasonable restrictions, requirements and conditions we impose on the transfer, the transferor(s) and/or the transferee(s), including the following:

(1) you are operating your opened Salons in accordance with this Agreement, the Franchise Agreements, and all other associated agreements;

(2) you and your Owners and Affiliates must be in compliance with the provisions of this Agreement, all Franchise Agreements signed pursuant hereto and all other agreements with us or any of our Affiliates;

(3) the proposed transferee, or its owners (if the proposed transferee is a corporation, partnership, limited liability company or other legal entity), must provide us on a timely basis all information we request, must be individuals acting in their individual capacities who are of good character and reputation, who must have sufficient business experience, aptitude and financial resources, and otherwise meet all of our then-current standards and requirements for new developers, to develop, open and operate IMAGE Studios Salons within the Development Area pursuant to this Agreement;

(4) the proposed transferee may not be an entity, or be affiliated with an entity, that is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(5) the transferee (and its owners) must agree to be bound by all of the provisions of this Agreement for the remainder of its Term;

(6) at our discretion, we may require that the transferee must acquire, in a concurrent transaction, all of your rights, and the rights of your Owners and Affiliates, under all agreements between you or your Affiliates and us or our Affiliates, including all Franchise Agreements for IMAGE Studios Salons signed by you or your Owners or Affiliates pursuant to this Agreement or pursuant to any other development or similar agreement with us;

(7) you or the transferee must pay us a transfer fee equal to \$5,000 plus any broker fees associated with the transfer or sale for each IMAGE Studios Salon for which a Franchise Agreement has been signed pursuant hereto (as required under the terms of these Franchise Agreements) You must pay to us a \$1,000 up-front, non-refundable deposit at the time of application for transfer approval. The remaining balance of the transfer fee is due at the time of the approval of the transfer.

(8) you and your Owners and Affiliates must, unless limited or prohibited by applicable law, sign a general release, in form and substance satisfactory to us, of any and all claims against us, our Affiliates, shareholders, members, officers, directors, employees, agents, successors and assigns;

(9) if you (or any of your Owners or Affiliates) finance any part of the sale price of the transferred interest, you and/or your Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets transferred, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement, any franchise agreement being transferred or any franchise agreement signed by the transferee;

(10) you and your Owners must sign a non-competition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing that, for a period of two years, starting on the effective date of the transfer, you and your Owners will not directly or indirectly (such as through members of his/her or their Immediate Families): (i) own any legal or beneficial interest in, or render services or give advice to (1) any Competitive Business that is operating within the Development Area; (2) any Competitive Business that is located within five mile radius of any other IMAGE Studios Salon in operation or under construction as of the effective date of this transfer; or (3) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business; and (ii) recruit or hire any person who is an employee of ours or of any IMAGE Studios Salon operated by us, our Affiliates or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason;

(11) you and your Owners and Affiliates must sign these other documents and do these other things as we may reasonably require to protect our rights under this Agreement, any Franchise Agreements and any other agreements being transferred.

C. EFFECT OF APPROVAL.

Our approval of a Transfer of the Development Rights does not constitute: (1) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects of success by the transferee; or (2) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's compliance with this agreement. Any approval shall apply only to the specific Transfer of the Development Rights being proposed and shall not constitute an approval of, or have any bearing on, any other proposed Transfer of the Development Rights.

D. SPECIAL TRANSFERS.

Section 8B (7) shall not apply to any Transfer of the Development Rights among any of your then-current Owners or to any Transfer of the Development Rights to any member of your Immediate Family or the Immediate Family of a then-current Owner of Developer (if you are a corporation, partnership, limited liability company or other legal entity). On 30 days' notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the Franchise Agreements signed pursuant hereto and all of the assets of the IMAGE Studios Salons operated pursuant thereto, by an agreement in form and substance approved by us, to an entity which conducts no business other than the development and operation of IMAGE Studios Salons and of which you own and control all of the equity and voting power. None of the foregoing assignments shall relieve you or your Principal Owners of your obligations hereunder, and you and your Principal Owners shall remain jointly and severally liable for all obligations hereunder.

E. DEATH OR DISABILITY OF DEVELOPER.

Upon your death or permanent disability, or the death or permanent disability of the Operating Partner or an Owner of a controlling interest in Developer, the executor, administrator or other personal representative of this person shall transfer his/her interest in this Agreement or his/her interest in Developer to a third party approved by us in accordance with all of the applicable provisions of Section 8 within a reasonable period of time, not to exceed nine months from the date of death or permanent disability.

F. FRANCHISOR'S RIGHT OF FIRST REFUSAL.

If you or any of your Owners desire to Transfer the Development Rights for legal consideration, you or this Owner must obtain a *bona fide*, signed written offer from a responsible and fully dislodged purchaser and must deliver immediately to us a complete and accurate copy of this offer. If the offeror proposes to buy

any other property or rights from you or any of your Owners or Affiliates (other than rights under development agreements or to other franchise agreements for IMAGE Studios Salons) as part of the *bona fide* offer, the proposal for this property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Development Rights must reflect the *bona fide* price offered therefore and may not reflect any value for any other property or rights.

We have the option, exercisable by notice delivered to you or your Owners within 30 days from the date of delivery of a complete and accurate copy of this offer to us, to purchase this interest for the price and on the terms and conditions contained in this offer, provided that: (1) we may substitute cash for any form of payment proposed in this offer; (2) our credit shall be deemed equal to the credit of any proposed purchaser; and (3) we will have not less than 90 days from the option exercise date to consummate the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. We may conduct an investigation and analysis in any manner we deem reasonably appropriate and you and your Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase, we are entitled to purchase an interest subject to all representations and warranties, closing documents, releases, non-competition covenants and indemnities as we reasonably may require, provided if we exercise our option as a result of a written offer reflected in a fully negotiated definitive agreement with the proposed purchaser, we will not be entitled to any additional representations, warranties, closing documents or indemnities that will have a materially adverse effect on your rights and obligations under the definite agreement. If we do not exercise our option to purchase, you or your Owners may complete the sale to this offeror pursuant to and on the exact terms of this offer, subject to our approval of the transfer as provided in Section 8B and 8C, provided that if the sale to this offeror is not completed within 90 days after delivery of this offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty-day period following your notification of the expiration of the ninety-day period or the material change to the terms of the offer.

#### G. SECURITIES OFFERINGS.

If we choose to issue a public offering neither you nor any of your Owners may issue or sell, or offer to issue or sell, any of your IMAGE Studios securities or any IMAGE Studios securities of any of your Affiliates, regardless of whether a sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior consent and complying with all of our requirements and restrictions concerning use of information about us and our affiliates. Neither you nor any of your Owners may issue or sell your securities or the securities of any of your Affiliates if: (1) these securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or these securities would be owned by more than thirty-five persons; or (2) after this issuance or sale, you or this Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended.

Any proposed private placement of your or your Affiliate's securities must be approved by us; provided however, that we shall not be responsible for its contents and you shall indemnify and hold us harmless from any and all claims associated with such private placement. The offering memorandum or information used in connection with the private placement will clearly identify that it is not an offering by us and that we have not participated in its preparation and have not supplied any financial information, projections, budgets, cost estimates, or similar information contained therein, all of which shall be your sole responsibility. Each recipient of information relating to the private placement must maintain it in confidence, and you shall be responsible for any disclosure.

**9. TERMINATION OF AGREEMENT.**

**A. IMMEDIATE TERMINATION.**

You are in material breach and deemed to be in default of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if any of the following events occur:

- (1) you become insolvent by reason of your inability to pay your debts as they mature;
- (2) you become insolvent by reason of your Salon's assets are less than the value of your liabilities;
- (3) you are adjudicated bankrupt or insolvent;
- (4) you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within 30 days;
- (5) a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property;
- (6) you request the appointment of a receiver or make a general assignment for the benefit of creditors;
- (7) final judgment against you in the amount of Twenty-Five Thousand Dollars (\$25,000) or more remains unsatisfied of record for 30 days or longer;
- (8) your bank accounts, property or accounts receivable are attached;
- (9) execution is levied against your business or property;
- (10) suit is filed to foreclose any lien or mortgage against any of your assets and this suit is not dismissed within 30 days;
- (11) if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and this petition is not dismissed within 30 days,
- (12) you are otherwise in violation of any of the Anti-Terrorism Laws.

You expressly waive all rights under the provisions of the bankruptcy or other applicable laws and rules, and consent to the immediate termination of this Agreement as provided herein. You agree not to seek an order from any court, tribunal, or agency in any jurisdiction relating to bankruptcy, insolvency, reorganization or any similar proceedings that would have the effect of staying or enjoining this provision.

**B. NOTICE OF TERMINATION.**

In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Principal Owners or Affiliates:

- (1) fail to meet the Development Schedule;

- (2) make an unauthorized Transfer of the Development Rights or fail to Transfer the Development Rights or the interest of a deceased or disabled Owner as required hereby;
- (3) make any material misstatement or omission in the Personal Profile, the ADA Application or in any other information, report or summary provided to us at any time;
- (4) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System Standards or the goodwill associated with the Marks;
- (5) make any unauthorized use or disclosure of any Confidential Information;
- (6) fail or refuse to comply with any other provision of this Agreement and do not correct this failure within 30 days after notice of this failure to comply is delivered to you;
- (7) are in breach of any Franchise Agreement such that we have the right to terminate the Franchise Agreement, whether or not we elect to exercise our right to terminate the Franchise Agreement;
- (8) are in breach of any other agreement between you or any of your affiliates and us or any of our Affiliates such that we have a right to terminate any such agreement, whether or not we elect to exercise our right to terminate this agreement;
- (9) if we determine that any applicable federal or state statute, regulation, rule or law, which is enacted, promulgated or amended after the date hereof, may have material adverse effect on our rights, remedies or discretion in franchising IMAGE Studios Salons; or
- (10) you fail to notify us of your Operating Partner's termination and/or fail to hire or select a successor Operating Partner who satisfies the requirements provided for in Section 4C will be considered as a breach of this Agreement.

The Development Fee shall be fully earned by us upon signing of this Agreement for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. We have no obligation whatsoever to refund any portion of the Development Fee upon any termination, except that we will refund the unapplied portion of the Development Fee in the event of a termination pursuant to Section 9B (9).

**10. EFFECT OF TERMINATION OR EXPIRATION.**

**A. PAYMENT OF AMOUNTS OWED TO US.**

Within 30 days after the effective date of termination or expiration (without renewal) of this Agreement, you must pay us and our Affiliates all royalties, advertising fund contributions, amounts owed for purchases from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

**B. POST-TERM COVENANTS.**

For a period of two years, starting on the effective date of termination or expiration (without renewal) of this Agreement, neither you nor any of your Owners directly or indirectly (such as through his/her or their Immediate Families) own a legal or beneficial interest in, or render services or give advice to: (1) any Competitive Business operating within the Development Area; (2) any Competitive Business operating within a radius of five miles of any IMAGE Studios Salon in operation or under construction on the effective

date of termination or expiration; (3) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; or (4) recruit or hire any person who is an employee of ours or of any IMAGE Studios Salon operated by us, our Affiliates or another franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason; solicit or attempt to divert elsewhere any partnership we've established as part of the IMAGE Studios System, including, but not limited to, any technology, trade, education, retail product or vending/supplier partners.

You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting these skills in other ways, so that enforcement of the covenants contained in this Section will not deprive any of you of your personal goodwill or ability to earn a living. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

C. CONTINUING OBLIGATIONS.

All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

D. OUR OPTION TO PURCHASE YOUR ASSETS

We shall have the right to purchase the assets of your Salon, upon termination or expiration (without renewal) of this Agreement. We shall have the right, exercisable by giving notice thereof ("Appraisal Notice") within 10 days after the date of this termination or expiration, to require that a determination be made of the "Fair Market Value" (as defined below) of any or all of the assets of your Salons which you own, including inventory of non-perishable products, materials, supplies, furniture, equipment, signs, and any and all leasehold improvements, fixtures, building and land, but excluding any cash and short-term investments and any items not meeting our specifications for IMAGE Studios Salons (the "Purchased Assets"). Notwithstanding the foregoing, if you notify us not less than 180 days nor more than 270 days before expiration, then we agree, if we desire to exercise our right to purchase, to give you the Appraisal Notice at least 120 days before the date of expiration of this Agreement.

Upon delivery of the Appraisal Notice, you may not sell or remove any of the assets of your Salons from the Premises (other than in the ordinary course of business) and must give us, our designated agents and the "Appraiser" (as defined below) full access to your Salons and all of your books and records at any time during customary business hours to conduct inventories and determine the purchase price for the Purchased Assets.

The Fair Market Value shall be determined based upon the amount which an arm's length purchaser would be willing to pay for the Purchased Assets, assuming that the Purchased Assets would be used for the operation of an IMAGE Studios Salon under a valid franchise agreement reflecting the then-current (or if we are not offering franchises at that time, then the most recent) standard terms upon which we offer or offered franchises for IMAGE Studios Salons. Under no circumstances does this calculation contemplate that any value be attributed to any goodwill associated with the Marks or any value be attributed to other Intellectual Property or the System Standards, provided, however, that an amount may, if appropriate, be attributed to the going concern value of your Salons. You and we hereby agree that the valuation methodology described herein is a fair and reasonable method by which to value the Purchased Assets.

Notwithstanding, the mutually agreeable valuation methodology, if you and we are unable to agree on the final calculation of the Fair Market Value of the Purchased Assets upon applying the agreed to valuation methodology, within 15 days after the Appraisal Notice, then Fair Market Value will be determined by a member of a nationally recognized accounting firm (other than a firm which conducts audits of our or

your financial statements) mutually selected by you and us who has experience in the valuation of salon Businesses (the "Appraiser"). If we are unable to agree on the Appraiser within 30 days after the Appraisal Notice, either party may demand the appointment of an Appraiser be made by the director of the Regional Office of the American Arbitration Association located nearest to Salt Lake City, Utah, and this person shall be the Appraiser.

The Appraiser will make his or her determination and submit a written report (the "Appraiser Report") to you and us as soon as practicable, but in no event more than 60 days after his or her appointment. Each party may submit in writing to the Appraiser its judgment of Fair Market Value (together with its reason therefore); however, the Appraiser shall not be limited to these submissions and may make such independent investigations as he or she reasonably determines to be necessary. The Appraiser's fees and costs shall be borne equally by the Parties.

We have the option, exercisable by delivering notice thereof within 30 days after submission of the Appraisal Report (or the date that an agreement is reached, if the Parties agree to the Fair Market Value), to agree to purchase the Purchased Assets at Fair Market Value. We shall have the unrestricted right to assign this option to purchase separate and apart from the remainder of this Agreement.

If we exercise our option to purchase, the purchase price for the Purchased Assets will be paid in cash at the closing, which will occur at the place, time and date we designate, but not later than 60 days after the exercise of our option to purchase the Purchased Assets. At the closing, we will be entitled to all representations, warranties, title insurance policies and other closing documents and post-closing indemnifications as we reasonably require, including: (1) instruments transferring good and marketable title to the Purchased Assets, free and clear of liens, encumbrances, and liabilities, to us or our designee, with all sales and other transfer taxes paid by you; and (2) an assignment of all leases of assets used in the operation of your Salons, including land, building and/or equipment (or if an assignment is prohibited, a sublease to us or our designee for the full remaining term and on the same terms and conditions as your lease, including renewal and/or purchase options), provided, however, that if any of your Owners or Affiliates directly or indirectly owns the land, building and/or equipment of your Salons, you will, at our option, cause this Owner or Affiliate to grant to us a lease at reasonable and customary rental rates and other terms prevailing in the community where your Salons are located. Any dispute concerning the rental rates and terms of this lease shall be resolved by the Appraiser.

If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the closing of the sale may, at our option, be accomplished through an escrow on these terms and conditions as we deem appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties to obtain clear title to all of the Purchased Assets. Further, you and we shall comply with any applicable bulk sales provisions of the Uniform Commercial Code as enacted in the state where the Premises are located and all applicable state and local sales and income tax notification and/or escrow procedures. We have the right to set off against and reduce the purchase price by any and all amounts owed by you or any of your Owners or Affiliates to us or any of our Affiliates.

Upon delivery of the Appraisal Notice and pending (1) determination of Fair Market Value, (2) our option period, and (3) the closing of the purchase, we may authorize continued temporary operations of your Salon pursuant to the terms of this Agreement, subject to the supervision and control of one or more of our appointed managers.

11. **DISPUTE AVOIDANCE AND RESOLUTION.**

A. **MEDIATION AND MANDATORY BINDING ARBITRATION, WAIVER OF RIGHT TO TRIAL BY JURY, ETC.**

All claims, disputes, suits, actions, controversies, proceedings, or otherwise, of every kind (hereinafter “claim” or “claims”) involving this Agreement except as expressly provided below, will be resolved as described below. The resolution process will be as follows:

(1) First, the claim(s) will be discussed in a face-to-face meeting between the parties with individuals who are authorized to make binding commitments on their behalf. This meeting will be held at Franchisor’s then-current headquarters and within thirty (30) days after written notice is given proposing such a meeting. Either party may require the other to participate in the International Franchise Association’s Ombudsman (or similar) program prior to, or in conjunction with, any mediation, and all meetings to be held at Franchisor’s then-current headquarters.

(2) Second, if, in the opinion of either party, the meeting has not successfully resolved any of the claims at issue, they will be submitted to non-binding mediation through the American Arbitration Association (“AAA”).

(3) Third, if such mediation is not successful in resolving the dispute, claims will be submitted to and finally resolved by binding arbitration before and in accordance with the arbitration rules of AAA. In each case, the parties to any mediation/arbitration will execute appropriate confidentiality agreements, excepting only such public disclosures and filings as required by law.

(4) The Parties agree that this Agreement does not obligate them to mediate or arbitrate claims or issues relating primarily to (i) the validity of the Marks, or any trademarks, service marks or other Intellectual Property licensed to Developer under any IMAGE Studios franchise agreement, (ii) Franchisor’s rights to obtain possession of any real and personal property (including any action in unlawful detainer, ejectment or otherwise) (iii) the Parties’ rights to obtain a writ of attachment and/or other pre-judgment remedies and/or (iv) Franchisor’s rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief (including, but not limited to, Franchisor’s rights to equitable relief with respect to Developer’s unlawful use of any of the Marks and/or other Intellectual Property and Developer’s breach of the confidentiality and/or non-compete provisions of this Agreement), intentional interruption by Developer of business operations with the exception of the provisions relating to Breaches, Defaults or Termination, and the exercise of any such rights and remedies will not be deemed a waiver of the rights to require or use mediation and/or arbitration.

(5) Franchisor and Developer each knowingly waive all rights to trial by a court or jury. The parties each understand that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence, and may make appeals generally less available. However, both parties still prefer, and have mutually selected (for the reasons set forth in this Section and the following one), mediation and/or arbitration as provided in this Agreement to resolve any and all disputes and claims, except as expressly provided in Section 11(A)(4). The parties have had an express meeting of the minds on each these matters as set forth in this Section 11 and/or otherwise. Both parties further agree that the provisions of this Agreement will control the state or provincial laws by which this Agreement will be governed and construed, any provisions of state, provincial or other law to the contrary, and/or any statements in Franchisor’s Disclosure Document or otherwise required as a condition of registration or otherwise.

## 12. MISCELLANEOUS.

### A. SEVERABILITY AND SUBSTITUTION OF PROVISIONS.

Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

If any applicable law requires a greater prior notice of the termination of or refusal to enter into a successor franchise than is required hereunder, a different standard of “good cause”, or the taking of some other action not required hereunder, the prior notice, “good cause” standard and/or other action required by this law shall be substituted for the comparable provisions hereof. If any provision of this Agreement or any specification, standard or operation procedure prescribed by us is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify this invalid or unenforceable provision, specification, standard or operating procedure if required to make it valid and enforceable.

Nothing in this Agreement or any related agreement is intended to disclaim Franchisor’s representations made in the Uniform Franchise Disclosure Document.

### B. ENTIRE AGREEMENT

The introduction hereto is a part of this Agreement (together with its appendices, all of which will be deemed to be part of this Agreement). This Agreement contains the final, complete and exclusive expression of the terms of Franchisor’s agreement and entirely supersedes and replaces any and all prior and/or concurrent promises, agreements, representations or otherwise (whether oral or written) between Franchisee and Franchisor (or anyone else). No prior and/or concurrent promises, agreements, representations or otherwise (whether oral or written) of any kind or nature whatsoever have been made by Franchisor or anyone else, nor have been relied upon by Franchisee nor will have any force or effect. Nothing in this Agreement or any related agreement is intended to disclaim Franchisor’s representations made in the Uniform Franchise Disclosure Document.

### C. WAIVER OF OBLIGATIONS.

We and you may be written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any such waiver granted shall be without prejudice to any other rights the waiving party may have, will be subject to continuing review by this party and may be revoked, in this party’s sole discretion, at any time and for any reason, effective upon delivery to the other party of 10 days’ prior notice. You and we shall not be deemed to have waived any right reserved by this Agreement or be deemed to have modified this Agreement by virtue of any custom or practice of the parties at variance with it; any failure, refusal or neglect by you or us to exercise any right under this Agreement (except as provided in Section 12C) or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure or omission by us to exercise any right, whether of the same, similar or different nature, with respect to other IMAGE Studios Salons; or the acceptance by us of any payments due from you after any breach of this Agreement.

### D. EXERCISE OF RIGHTS.

Except as otherwise expressly provided herein, the rights of Franchisor and Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Developer of any other right or remedy hereunder

which Franchisor or Developer is entitled to enforce by applicable law. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement shall constitute a waiver of this right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying this breach or violation is provided to other party within twenty-four months after the later: (1) the date of this breach or violation; or (2) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to this breach or violation.

E. INJUNCTIVE RELIEF.

We may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may have this injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of this injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived). You and each of your Owners acknowledge that any violation of Section 6, 8B (11), or 10B would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Owners' consent to the issuance of an injunction prohibiting any conduct in violation of any of those Sections and agree that the existence of any claim you or any of your Owners may have against us, whether arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

F. ATTORNEYS' FEES.

In a judicial proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

G. GOVERNING LAW.

This Agreement shall be construed under the laws of the State of Utah, provided the foregoing shall not constitute a waiver of any of your rights under any applicable franchise law of another state. Otherwise, in the event of any conflict of law, Utah law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Utah law, and if the Development Area is predominantly located outside of Utah and this provision would be enforceable under the laws of the state in which the Development Area is located, then this provision shall be construed under the laws of that state. Nothing in this Section 12F is intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Utah or any other state or political subdivision to which it otherwise would not be subject.

H. SUCCESSORS AND ASSIGNS.

This Agreement is binding on the parties and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable and assignable by us, whether by operation of law or otherwise, and shall inure to the benefit of any transferee or other legal successor to our interests herein.

I. LIMITATIONS ON LEGAL ACTIONS.

Except with respect to your obligations regarding use of the Marks in Section 5 and the Confidential Information in Section 6A, we and you (and your Owners) each waives, to the fullest extent permitted by

law, any right to or claim for any punitive or exemplary damages against the other. You and each of your Owners waive to the fullest extent permitted by applicable law, the right to recover consequential damages for any claim directly or indirectly arising from or relating to this Agreement.

You agree that, for our franchise system to function properly, we should not be burdened with costs of litigating system-wide disputes. Accordingly, any disagreement between you (and your Owners) and us shall be considered unique as to its facts and shall not be brought as a class action, and you (and each of your Owners) waive any right to proceed against us or any of our shareholders, members, Affiliates, officers, directors, employees, agents, successors and assigns by way of class action, or by way of a multi-plaintiff, consolidated or collective action. In any legal action between the parties, the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving us and any other franchisee, and each party waives the right to claim that a prior disposition of the same or similar issues precludes this independent determination.

The parties agree to bring any claims that in any way, directly or indirectly, arise out of or are otherwise related to this Agreement or the parties' relationships and dealings with or amongst each other ("Claims"), if at all, within one year of the occurrence of the facts giving rise to such Claims, regardless of when discovered. Any mediation, action, suit, arbitration, or proceeding, whether for legal, equitable, or injunctive relief, damages, or rescission, or otherwise, that is not brought within this period shall be barred as a claim, counterclaim, defense, or set-off to the fullest extent permitted by law. As to any Claims, the parties agree, to the fullest extent permitted by law, any right to or claim for any actual or consequential damages sustained directly or indirectly from or relating to this Agreement or the parties' relationships and dealings with or amongst each other shall be limited to the value of an IMAGE Studios™ franchise, which the parties agree is approximately equal to the cash revenue generated by that franchisee over the preceding 12 months.

As a condition precedent to commencing an action, suit, arbitration, or proceeding for a Claim, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages, whether for legal, equitable, or injunctive relief, damages, or rescission,

If any federal, state, or local law or regulation provides for a shorter limitation period than outlined above, the shorter period shall govern. The limitations outlined above shall in no way prevent Franchisor from terminating this Agreement as provided in this Agreement and under applicable law or to obtain or enforce any award or judgment consistent with such termination, even if the limitations outlined above were to exclude or limit Franchisor's right to sue for damages or to pursue other remedies,

If any court makes any provision of this subsection invalid, void or unenforceable, this provision shall be modified in order to make the modified provision enforceable to the greatest extent possible and the parties agree to be bound by the modified provision to the greatest extent lawfully permitted.

J. APPROVAL AND CONSENTS.

Whenever this Agreement requires the approval or consent of either party, the other party shall make written request therefore, and this approval or consent shall be obtained in writing; provided however, unless specified otherwise in this Agreement, this party may withhold approval or consent, for any reason or for no reason at all. Furthermore, unless specified otherwise in this Agreement, no such approval or consent shall be deemed to constitute a warranty or representation of any kind, express or implied, and the approving or consenting party shall have no responsibility, liability or obligation arising therefrom.

K. NOTICE AND PAYMENTS.

All notices, requests and reports permitted or required to be delivered by this Agreement shall be deemed delivered:

(1) at the time delivered by hand to the recipient party or any officer, director, or partner of the recipient party;

(2) on the same day of the transmission by facsimile, email or other reasonably reliable electronic communication system;

(3) one business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or

(4) five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. These notices, requests, and reports shall be sent to us at the address identified in this Agreement unless and until a different address has been designated by written notice to the other party. No restrictive endorsement on any check or in any letter or other communication accompanying any payments shall bind us, and our acceptance of any such payments shall not constitute an accord and satisfaction.

L. PROVISIONS CONCERNING COMPLIANCE WITH ANTI-TERRORISM LAWS.

(1) You, your Owners and your Affiliates 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 this compliance, you, your Owners and your Affiliates certify, represent, and warrant that none of your property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that you, your Owners, and your Affiliates are not otherwise in violation of any of the Anti-Terrorism Laws.

(2) For the purposes of this Section 12L, “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(3) You, your Owners and your Affiliates certify that none of you, your Owners and your Affiliates, your employees, or anyone associated with you is listed in the Annex to Executive Order 13225. You agree not to hire any individual who is listed in the Annex. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>).

(4) You, your Owners, and your Affiliates certify that you have no knowledge or information that, if generally known, would result in you, your Owners and your Affiliates, your employees, or anyone associated with you to be listed in the Annex to Executive Order 13224.

(5) You, your Owners, and your Affiliates are solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 5B of this Agreement pertain to your obligations under this Section 12L.

(6) Any misrepresentation by you under this Section 12L or any violation of the Anti-Terrorism Laws by you, your Owners and your Affiliates, or your employees shall constitute grounds

for immediate termination of this Agreement and any other Agreement you have entered with us or one of our Affiliates, in accordance with the terms of Section 9A of this Agreement.

M. RECEIPT OF DISCLOSURE DOCUMENT AND AGREEMENT.

You acknowledge having received our Disclosure Document at least 14 calendar days before signing this Agreement. You also acknowledge having received this Agreement, with all blanks completed, at least seven calendar days before you signed it.

**[Signature Page immediately follows]**

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

**FRANCHISOR**

IMAGE STUDIOS 360 FRANCHISE, LLC  
a Utah limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**DEVELOPER**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 1**

**DEVELOPMENT AREA, FEE AND SCHEDULE**

Image Studios 360 Franchise, LLC, (“we”, “us”, the “Company” or “Franchisor”) and \_\_\_\_\_, (“you” or “ Developer”) have, as of \_\_\_\_\_ entered into a certain IMAGE Studios Development Agreement (“ Development Agreement”) and desire to supplement its terms, as set out below.

1. The Term expires on \_\_\_\_\_, 20\_\_\_\_. \_\_\_\_\_ ( Developer’s Initials)

2. The Development Area is geographic are described as follows and shown on the map attached as Exhibit 1-A:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ (Developer’s Initials)

3. You acknowledge and agree that you must have open and in operation in the Development Area, pursuant to Franchise Agreements, that cumulative number of IMAGE Studios Salons set forth below as of each of the following dates:

Cumulative Number of IMAGE Studios Salons	Dates
_____	_____
_____	_____

\_\_\_\_\_ (Developer’s Initials)

For purposes hereof, no IMAGE Studios Salons that are open and operating as of the date of this Agreement shall be counted for purposes of the Development Schedule. In addition, an IMAGE Studios Salon that is permanently closed after having been opened, other than as result of non-compliance by you with the terms of the applicable Franchise agreement, shall be deemed open for a period of six months after the last day it was open for business, provided that: (i) during this period of time, you continuously and diligently take such actions as may be required to develop and open a substitute IMAGE Studios Salon within the Development Area pursuant to a new Franchise Agreement therefore; and (ii) by the end of this period you have the substitute IMAGE Studios Salon open and operating in compliance with the Franchise Agreement therefore.

\_\_\_\_\_ (Developer’s Initials)

4. The Development Fee shall be \$ \_\_\_\_\_ (the “Development Fee”)

\_\_\_\_\_ (Developer’s Initials)

**(Signatures on following page)**

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**FRANCHISOR**

IMAGE STUDIOS 360 FRANCHISE, LLC  
a Utah limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**DEVELOPER**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 1-A**

**DEVELOPMENT AREA MAP  
(attach)**

**EXHIBIT 2**

**DEVELOPER AND ITS OWNERS OWNERSHIP ADDENDUM**

Image Studios 360 Franchise, LLC, (“we”, “us”, the “Company” or “Franchisor”) and \_\_\_\_\_, (“you” or “ Developer”) have, as of \_\_\_\_\_ entered into a certain IMAGE Studios Development Agreement (“ Development Agreement”) and desire to supplement its terms, as set out below. The parties therefore agree as follows:

1. Operating Partner.

The name and address of the Operating Partner is as follows:

Name

Address

\_\_\_\_\_

2. Entity Type of Developer

(a) Corporation or Limited Liability Company.

Developer was organized on \_\_\_\_\_ under the laws of the State of \_\_\_\_\_. Its Federal Identification Number is \_\_\_\_\_. It has not conducted business under any name other than its corporate or company name. The following is a list of all of Developer’s directors and officers or managing members as of \_\_\_\_\_.

Director/Officer/Managing Member’s Names

Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(b) Partnership.

Developer is a [general] [limited] partnership formed on \_\_\_\_\_ under the laws of the State of \_\_\_\_\_. Its Federal Identification Number is \_\_\_\_\_. It has not conducted business under any name other than its partnership name. The following is a list of all of Developer’s general partners as of \_\_\_\_\_.

General Partner’s Names

\_\_\_\_\_

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3. Owners.

Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Developer, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Developer. Developer and each Owner as to ~~their~~his/her ownership interest in Developer, represents and warrants that each Owner is the sole and exclusive legal beneficial owner of ~~their~~his/her ownership interest in Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by the Agreement.

<u>Owner's Name</u>	<u>Owners Address</u>	<u>Ownership Percentage</u>
<hr/>	<hr/>	<hr/>

2. Change. You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

3. Date of Addendum. The date of this Addendum

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**(Signatures on following page)**

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**FRANCHISOR**

IMAGE STUDIOS 360 FRANCHISE, LLC,  
a Utah limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**DEVELOPER**

\_\_\_\_\_  
(Name of corporation, partnership,  
limited liability company or other legal entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT 3

### GUARANTY

In consideration of, and as an inducement to, the signing of an Image Studios 360 Franchise, LLC Development Agreement dated \_\_\_\_\_ (the "Agreement") by and between Image Studios 360 Franchise, LLC ("Franchisor") and \_\_\_\_\_ ("Developer"), each of the undersigned owners of a ten percent or greater interest in Developer for themselves, their heirs, legal representatives, successors and assigns (collectively the "Guarantors") do hereby personally, unconditionally, individually, jointly and severally: (1) guarantee to Franchisor and to its successors and assigns, for the term of Agreement and thereafter as provided in the Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any modification or amendment to the Development Agreement) including the payment of all continuing license fees, marketing fees and all other fees and charges accruing pursuant to the Development Agreement and that each and every representation of Developer made in connection with the Agreement (and any modification or amendment to the Development Agreement) are true, correct and complete in all respects at and as of the time given; and (2) agree personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any modification or amendment to the Development Agreement).

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly and severally, shall be personally bound by each and every condition and term contained in the Development Agreement as though each of the Guarantors had signed an Development Agreement containing the identical terms and conditions of the Development Agreement, including the provisions relating to confidentiality and non-competition covenants. This Guaranty shall continue in favor of Franchisor notwithstanding any extension, modification, or alteration of the Development Agreement, and notwithstanding any assignment of the Development Agreement, with or without the Franchisor's consent. No extension, modification, alteration or assignment of the Development Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any such extension, modification, alteration or assignment.

2. Each Guarantor's liability under this Guaranty is primary and independent of the liability of Developer and any other Guarantors. Each Guarantor waives any right to require Franchisor to proceed against any other person or to proceed against or exhaust any security held by Franchisor at any time or to pursue any right of action accruing to Franchisor under the Development Agreement. Franchisor may proceed against each Guarantor and Developer, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Developer or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty. Each Guarantor waives any right that the undersigned may have to require that an action be brought against Developer or any other person as a condition of liability. Each Guarantor waives any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

3. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against Developer.

4. Each Guarantor waives notice of any demand by Franchisor, any notice of default in the payment of any amounts contained or reserved in the Development Agreement (and any modification or amendment to the Development Agreement), or any other notice of default or nonperformance of any obligations under the Development Agreement. Each Guarantor waives protest and notice of default to any party with respect to indebtedness, default or nonperformance of any obligations under the Development Agreement (and any modification or amendment to the Development Agreement).

Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by Franchisor, or its successors or assigns, or the failure of Franchisor to enforce any of the terms, covenants or conditions of the Development Agreement or this Guaranty, or the granting of any indulgence or extension of time to Developer, all of which may be given or done without notice to the Guarantors.

5. This Guaranty shall extend, in full force and effect, to any assignee or successor of Franchisor and shall be binding upon the Guarantors and each of their respective successors and assigns.

6. Until all obligations of Developer to Franchisor have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which Franchisor has or may in the future have against Developer and any benefit of, and any right to participate in, any security now or in the future held by Franchisor.

7. All existing and future indebtedness of Developer to each Guarantor is hereby subordinated to all indebtedness and other monetary obligations guaranteed in this Guaranty and, without the prior written consent of Franchisor, shall not be paid in whole or in part to any Guarantor, nor will any Guarantor accept any payment of or on account of any this indebtedness while this Guaranty is in effect, unless at the time of this payment, all indebtedness and other monetary obligations to Franchisor are current under the terms of the Development Agreement.

8. Each Guarantor consents and agrees that the undersigned shall render any payment or performance required under this Guaranty shall be joint and several. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may periodically grant to Developer or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until satisfied in full.

9. Each Guarantor waives acceptance and notice of acceptance by Franchisor of the foregoing undertakings. Each Guarantor waives notice of any amendment to the Agreement.

You and your owners irrevocably submit to the jurisdiction of the courts of the State of Utah in any suit, action or proceeding, arising out of or relating to this Guaranty or any other dispute

between you and us, and you irrevocably agree that all claims in respect of any such suit, action or proceeding must be brought and/or defended except with respect to matters that are under the exclusive jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in Salt Lake City, Utah. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of this suit, action, or proceeding and agree that service of process for purposes of any such suit, action, or proceeding need not be personally served or served within the State of Utah, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a State or Federal Court.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed ~~their~~<sup>his/her</sup> signature as of \_\_\_\_\_.

**“GUARANTOR(S)”**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
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By: \_\_\_\_\_  
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Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT 4

### INVESTOR PERSONAL COVENANTS REGARDING CONFIDENTIALITY & NON-COMPETITION

In conjunction with your investment in \_\_\_\_\_ (“ Developer”) a \_\_\_\_\_, you (“Investor” or “you”), acknowledge and agree as follows:

1. Developer owns and operates, or is developing, an IMAGE Studios Salon or to be located at \_\_\_\_\_ pursuant to an Development Agreement dated \_\_\_\_\_, (“ Development Agreement”) with Image Studios 360 Franchise, LLC, which Development Agreement requires persons with legal or beneficial ownership interests in Developer under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Development Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Development Agreement.
2. You own or intend to own the percentage legal or beneficial ownership interest in Developer, set forth beneath your signature below, and acknowledge and agree that your signing of this Agreement is a condition to this ownership interest and that you have received good and valuable consideration for signing this Agreement. IMAGE Studios may enforce this Agreement directly against you and your Owners (as defined below).
3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“Owners”) must also sign this Agreement.
4. You and your Owners, if any, may gain access to parts of IMAGE Studios’ Confidential Information as a result of investing in Developer. The Confidential Information is proprietary and includes IMAGE Studios’ trade secrets. You and your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Developer and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (this use being an unfair method of competition); (b) will maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Developer, you and your Owners, if any, must deliver to IMAGE Studios any of this Confidential Information in your or their possession or control.
5. During the term of the Development Agreement and during this time as you and your Owners, if any, have any legal or beneficial ownership interest in Developer, you and your Owners, if any, agree that you and they will not, without IMAGE Studios’ written consent (which consent may be withheld at IMAGE Studios’ discretion) directly or indirectly (such as through an Affiliate or through your or their Immediate Families) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competitive Business located anywhere; or (b) any entity located anywhere which grants franchises, or licenses to others to operate any Competitive Business.
6. For a period of two years, starting on the earlier to occur of the date you or Owners cease to have any legal or beneficial ownership interest in Developer and the effective date of termination

or expiration (without renewal) of the Development Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through you or their Immediate Families) shall own a legal or beneficial interest in, or render services or give advice to: (a) any Competitive Business operating within a radius of five miles of any IMAGE Studios Salon then in operation or under construction; (b) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; or (c) recruit or hire any person who is an employee of yours, ours or of any IMAGE Studios Salon operated by us, our Affiliates or any Developer of ours without obtaining the employer's consent, which consent may be withheld for any reason. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and IMAGE Studios obtains enforcement in a judicial proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

7. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit these skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforceable to the fullest extent permissible under applicable law and public policy. In addition to relief as may be available at equity or law, IMAGE Studios may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledge that any violation of Sections 4, 5, or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If IMAGE Studios files a claim to enforce this Agreement and prevails in this proceeding, you must reimburse IMAGE Studios for all its costs and expenses, including reasonable attorneys' fees.
8. This Confidentiality Agreement does not supersede nor cancel any prior understandings and agreements you and your Owners had with respect to these matters, including any provision of the Development Agreement and the Prospective Candidate Confidentiality Agreement previously entered into pertaining to confidentiality. You and your Owners have read this Confidentiality Agreement thoroughly, understand it, and sign it freely and voluntarily.

**(Signatures on following page)**

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**INVESTOR**

If an individual

If a corporation, partnership,  
limited liability company or other legal entity

\_\_\_\_\_  
(Name of corporation, partnership,  
limited liability company or other legal entity)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
% Ownership of Franchisee:  
\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
% Ownership of Franchisee:  
\_\_\_\_\_

**OWNERS**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 5**

**SPOUSAL CONSENT**  
**TO**  
**IMAGE STUDIOS 360 FRANCHISE, LLC**  
**DEVELOPMENT AGREEMENT**

Each of the undersigned, each being the spouse of an individual who executed the development agreement to which this exhibit is attached (the “Development Agreement”) as “Developer,” or if “Developer” is a business entity or partnership, a spouse of an owner of the business entity or general partner, consents to all of the terms of the Development Agreement and the execution of it.

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

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

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

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

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

**EXHIBIT E**

**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**

**MANUALS TABLE OF CONTENTS**

# IMAGE STUDIOS ACCOUNTING MANUAL

## TABLE OF CONTENTS

(Approx. ~~18900~~ pages total)

<b><u>INTRODUCTION</u></b>	<b><del>34</del></b> pages
<b><u>GLOSSARY OF TERMS</u></b>	<b>8</b> pages
<b><u>ACCOUNTING SOFTWARE SETUP</u></b>	<b>4</b> pages
<b><u>ACCOUNTING BASICS</u></b>	<b>110</b> pages
<b><del>BUILDING – BOOKKEEPING</del></b>	<b><del>21</del></b> pages
<b><u>FINANCIAL PRACTICES</u></b>	<b>224</b> pages
<b><del>BOOKKEEPING</del></b>	<b><del>41</del></b> pages
<b><del>PROPERTY MANAGEMENT – STUDIO SETUP</del></b>	<b><del>5</del></b> pages
<b><del>REPORTS</del></b>	<b><del>11</del></b> pages
<b><del>ACCOUNTING – STUDIO SETUP</del></b>	<b><del>36</del></b> pages
<b><u>FINANCIAL REPORTING</u></b>	<b>3</b> pages
<b><u>FINANCIAL REVIEW</u></b>	<b>2</b> pages
<b><u>APPENDIX</u></b>	<b>3</b> pages
<b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b>	<b>1</b> page

**START-UP MANUAL**  
**TABLE OF CONTENTS**  
**(Approx. 189 pages total)**

<b><u>INTRODUCTION</u></b>	<b><u>25 pages</u></b>
<b><u>360 TRAINING PROGRAM</u></b>	<b><u>7 pages</u></b>
<b><u>THE INDUSTRY</u></b>	<b><u>7 pages</u></b>
<b><u>COMPANY CULTURE</u></b>	<b><u>11 pages</u></b>
<b><u>GLOSSARY OF TERMS</u></b>	<b><u>8 pages</u></b>
<b><u>BUSINESS MANAGEMENT</u></b>	<b><u>6 pages</u></b>
<b><u>BUSINESS PLAN</u></b>	<b><u>5 pages</u></b>
<b><u>LEGAL</u></b>	<b><u>1 page</u></b>
<b><u>SUMMARY</u></b>	<b><u>1 page</u></b>
<b><u>HISTORY</u></b>	<b><u>3 pages</u></b>
<b><u>PROBLEM STATEMENT</u></b>	<b><u>2 pages</u></b>
<b><u>THE SOLUTION</u></b>	<b><u>5 pages</u></b>
<b><u>MARKET</u></b>	<b><u>6 pages</u></b>
<b><u>CUSTOMERS</u></b>	<b><u>3 pages</u></b>
<b><u>COMPETITION</u></b>	<b><u>8 pages</u></b>
<b><u>RISKS</u></b>	<b><u>3 pages</u></b>
<b><u>TEAM</u></b>	<b><u>1 page</u></b>
<b><u>STRATEGY</u></b>	<b><u>3 pages</u></b>
<b><u>MARKETING</u></b>	<b><u>13 pages</u></b>
<b><u>SALES</u></b>	<b><u>6 pages</u></b>
<b><u>FINANCIALS</u></b>	<b><u>1 page</u></b>
<b><u>APPENDIX</u></b>	<b><u>2 pages</u></b>
<b><u>STARTING BUILD-OUT</u></b>	<b><u>45 pages</u></b>
<b><u>PROJECT MANAGEMENT</u></b>	<b><u>4 pages</u></b>
<b><u>APPENDIX</u></b>	<b><u>3 pages</u></b>
<b><u>MANUAL REVISIONS AND VERSION HISTORY</u></b>	<b><u>1 page</u></b>

# IMAGE STUDIOS DESIGN & CONSTRUCTION MANUAL

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(Approx. ~~12332~~ pages total)

<b><u>CONFIDENTIALITY</u></b>	1 page
<b><u>INTRODUCTION</u></b>	1 page
<b><u>DESIGN &amp; CONSTRUCTION PROCESS</u></b>	<del>23</del> pages
<b><u>GETTING STARTED</u></b>	<del>1926</del> pages
<b><u>DESIGN PROCESS, SUBMITTALS &amp; DOCUMENT APPROVALS</u></b>	13 pages
<b><u>REQUIRED AREAS &amp; SPACES</u></b>	3 pages
<b><u>FLOOR PLANS &amp; DIAGRAMS</u></b>	<del>79</del> pages
<b><u>FOCAL WALL DESIGN OPTIONS</u></b>	<del>4</del> pages
<b><u>FINISH MATERIALS &amp; SPECIFICATIONS</u></b>	<del>269</del> pages
<b><u>FURNITURE, FIXTURES, &amp; EQUIPMENT</u></b>	<del>135</del> pages
<b><u>ART &amp; SIGNAGE &amp; INTERIOR ART</u></b>	
197 pages	
<b><u>APPENDIX</u></b>	10 pages
<b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b>	1 page

**IMAGE STUDIOS MARKETING ~~&~~, RECRUITING, ~~&~~ CRM MANUAL**

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(Approx. ~~24872~~ pages total)

<b><u>INTRODUCTION</u></b>	<b>4</b> pages
<b><u>MARKETING</u></b>	<b><del>452</del></b> pages
<b><u>SOCIAL MEDIA MARKETING</u></b>	<b><del>5022</del></b> pages
<b><u>MARKETING: RECRUITING</u></b>	<b>514</b> pages
<b><u>LEASING &amp; RECRUITING</u></b>	<b>496</b> pages
<b><u>360 TOURS</u></b>	<b><del>4739</del></b> pages
<b><del><u>CUSTOMER RELATIONSHIP MANAGEMENT (CRM)</u></del></b>	<b><del>55</del></b> pages
<b><u>APPENDIX</u></b>	<b>43</b> pages
<b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b>	<b>1</b> page

# IMAGE STUDIOS OPERATIONS MANUAL

## TABLE OF CONTENTS

(Approx. ~~1829~~1 pages total)

<b><u>INTRODUCTION</u></b>	<b>3</b> pages	
<b><u>OPERATIONAL OVERVIEW</u></b>	<b><del>107</del></b> pages	
<b><u>EQUIPMENT &amp; SUPPLIES</u></b>	<b><del>2610</del></b> pages	
<b><u>OPERATING PROCEDURES</u></b>	<b><del>2337</del></b> pages	
<b><u>SAFETY &amp; SECURITY</u></b>		<b><del>139</del></b>
pages		
<b><u>COMMUNICATION POLICIES</u></b>	<b>20</b> pages	
<b><u>CULTURE &amp; PERSONNEL</u></b>	<b><del>212</del></b> pages	
<b><u>IMAGE PRO ONBOARDING</u></b>	<b>37</b> pages	
<b><u>METRICS &amp; REPORTING</u></b>	<b><del>165</del></b> pages	
<b><u>APPENDIX</u></b>	<b>3</b> pages	
<b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b>	<b>1</b> page	

~~IMAGE STUDIOS DESIGN & CONSTRUCTION MANUAL~~  
~~TABLE OF CONTENTS~~  
(Approx. 129 pages total)

<del><b><u>INTRODUCTION</u></b></del>	<del><b>3</b></del> pages
<del><b><u>360 TRAINING PROGRAM</u></b></del>	<del><b>5</b></del> pages
<del><b><u>THE INDUSTRY</u></b></del>	<del><b>7</b></del> pages
<del><b><u>COMPANY CULTURE</u></b></del>	<del><b>12</b></del> pages
<del><b><u>GLOSSARY OF TERMS</u></b></del>	<del><b>8</b></del> pages
<del><b><u>BUSINESS MANAGEMENT</u></b></del>	<del><b>27</b></del> pages
<del><b><u>GETTING STARTED</u></b></del>	<del><b>50</b></del> pages
<del><b><u>APPENDIX</u></b></del>	<del><b>3</b></del> pages
<del><b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b></del>	<del><b>1</b></del> page

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**IMAGE STUDIOS SPECIAL OPERATIONS MANUAL**

**-COVID-19 PLAYBOOK-**

**TABLE OF CONTENTS**

(Approx. ~~11201~~ pages total)

<b><u>INTRODUCTION</u></b>	<b>3</b> pages
<b><u>BUSINESS WILL BOOM AGAIN!</u></b>	<b>7</b> pages
<b><u>COMPANY CULTURE</u></b>	<b>2</b> pages
<b><u>SPECIAL OPERATIONS</u></b>	<b><del>320</del></b> pages
<b><u>MARKETING &amp; MESSAGING</u></b>	<b><del>2333</del></b> pages
<b><u>ACCOUNTING – COVID-19</u></b>	<b><del>64</del></b> pages
<b><u>GOVERNMENT OUTREACH</u></b>	<b>12</b> pages
<b><u>SPECIAL COMMUNICATIONS</u></b>	<b><del>118</del></b> pages
<b><u>APPENDIX</u></b>	<b><del>34</del></b> pages
<b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b>	<b>1</b> page

**MARKETING SOFTWARE MANUAL**

**TABLE OF CONTENTS**

**(Approx. 92 pages total)**

<b><u>INTRODUCTION</u></b>	<b><u>3 pages</u></b>
<b><u>CUSTOMER RELATIONSHIP MANAGEMENT (CRM)</u></b>	<b><u>59 pages</u></b>
<b><u>MARKETING DRIP CAMPAIGN SOFTWARE (ZOHO CAMPAIGNS)</u></b>	<b><u>21 pages</u></b>
<b><u>APPENDIX</u></b>	<b><u>3 pages</u></b>
<b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b>	<b><u>1 page</u></b>

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**IMAGE PRO BUSINESS MANUAL**

**TABLE OF CONTENTS**

**(Approx. 138 pages total)**

<b><u>INTRODUCTION</u></b>	<b><u>4 pages</u></b>
<b><u>KNOW YOUR WORTH - SETTING &amp; RAISING PRICES</u></b>	<b><u>14 pages</u></b>
<b><u>BECOMING THE TRIPLE THREAT - RECRUIT, REBOOK, &amp; RETAIN CLIENTS</u></b>	<b><u>19 pages</u></b>
<b><u>SELF-EMPLOYED &amp; SELF-EMPOWERED - BUSINESS FINANCES</u></b>	<b><u>15 pages</u></b>
<b><u>UPSCALE YOUR RETAIL</u></b>	<b><u>15 pages</u></b>
<b><u>MILLIONAIRE MINDSET - RETIRE WEALTHY</u></b>	<b><u>21 pages</u></b>
<b><u>RESOURCES - COVID-19</u></b>	<b><u>43 pages</u></b>
<b><u>MANUAL REVISIONS AND VERSIONS HISTORY</u></b>	<b><u>1 page</u></b>

**EXHIBIT F**

**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**

**FINANCIAL STATEMENTS**

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THE FOLLOWING APRIL 30, 2021 FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN  
AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED  
THAT NO CERTIFIED PUBLIC ACCOUNT HAS AUDITED THESE FIGURES OR EXPRESSED  
THEIR OPINION WITH REGARD TO THE CONTACT OR FORM.

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**IMAGE Studios®**  
**Balance Sheet**  
As of April 30, 2021

	<b>Total</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Total Bank Accounts	\$ 602,804.82
Total Accounts Receivable	\$ 27,427.62
Total Other Current Assets	\$ 503,581.00
<b>Total Current Assets</b>	\$ 1,133,813.44
<b>Fixed Assets</b>	
Total Fixed Assets	\$ 15,036.00
<b>TOTAL ASSETS</b>	\$ 1,148,849.44
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
Accounts Payable	0.00
Total Accounts Payable	\$ 0.00
Total Credit Cards	\$ 1,162.26
Total Other Current Liabilities	\$ 60,802.94
<b>Total Current Liabilities</b>	\$ 61,965.20
Total Long-Term Liabilities	\$ 2,506,917.00
<b>Total Liabilities</b>	\$ 2,568,882.20
<b>Equity</b>	
Total Equity	-\$ 1,420,032.76
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 1,148,849.44

**IMAGE Studios®**  
**Profit and Loss**  
 January - April, 2021

	<b>Total</b>
<b>Income</b>	
<b>Total Income</b>	<b>\$ 267,887.03</b>
<b>Gross Profit</b>	<b>\$ 267,887.03</b>
<b>Expenses</b>	
Accounting	7,624.24
<b>Total Advertising &amp; Marketing</b>	<b>\$ 22,864.82</b>
Bank Charges & Fees	1,064.01
Business License & Permits	35.00
Dues & Subscriptions	2,765.00
<b>Total Franchise Development Expense</b>	<b>\$ 447,650.00</b>
Gifts	254.46
<b>Total Insurance Expense</b>	<b>\$ 306.23</b>
<b>Total Legal Fees</b>	<b>\$ 9,415.75</b>
Meals & Entertainment	241.47
Office Cleaning	456.64
Office Rent Expense	1,800.00
Office Supplies	1,591.39
Outside Services	18,644.84
<b>Total Payroll Expenses</b>	<b>\$ 143,078.67</b>
Postage	45.58
Software	17,582.03
<b>Total Travel &amp; Conference Expenses</b>	<b>\$ 13,097.14</b>
Utilities	2,117.72
<b>Total Expenses</b>	<b>\$ 690,634.99</b>
<b>Net Operating Income</b>	<b>-\$ 422,747.96</b>
<b>Net Income</b>	<b>-\$ 422,747.96</b>

**Image Studios 360 Franchise, LLC**

Financial Statements and  
Independent Auditor's Report

December 31, 2020 and 2019

Prepared by **Bangerter, Lund Associates, Inc.**  
Certified Public Accountants

**Image Studios 360 Franchise, LLC**  
**Table of Contents**

Independent Auditor's Report	1
Balance Sheets	3
Statements of Income and Changes in Members' Equity (Deficit)	4
Statements of Cash Flows	5
Notes to Financial Statements	6



## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**Image Studios 360 Franchise, LLC**

### **Opinion**

We have audited the accompanying financial statements of Image Studios 360 Franchise, LLC (a Utah limited liability corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and changes in members equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Image Studios 360 Franchise, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Image Studios 360 Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Management's Responsibility for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Image Studios 360 Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Image Studios 360 Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Image Studios 360 Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Baronette, Jurd & Associates, P.C.*

Bountiful, Utah  
April 30, 2021

## Image Studios 360 Franchise, LLC

### Balance Sheets

December 31, 2020 and 2019

#### Assets

	2020	2019
<b>Current assets:</b>		
Cash and cash equivalents	\$ 709,627	\$ 336,781
Accounts receivable	290,052	14,368
Site development receivable	84,500	39,000
Prepaid expenses	81	25,216
<b>Total current assets</b>	<u>1,084,260</u>	<u>415,365</u>
<b>Property and equipment, net</b>	-	906
<b>Other assets</b>		
Deferred contract asset	973,911	-
Deposits	3,500	8,500
<b>Total other assets</b>	<u>977,411</u>	<u>8,500</u>
<b>Total assets</b>	<u>\$ 2,061,671</u>	<u>\$ 424,771</u>

#### Liabilities and Members' Equity

<b>Current liabilities:</b>		
Accounts payable	\$ 185,034	\$ 13,811
Accrued liabilities	22,375	28,233
Notes payable, current portion	53,233	-
<b>Total current liabilities</b>	<u>260,642</u>	<u>42,044</u>
Related notes payables	-	3,451
Notes payable	71,367	-
Deferred site development income	143,000	26,000
Deferred franchise fee revenue	1,540,260	873,667
<b>Total long term liabilities</b>	<u>1,754,627</u>	<u>903,118</u>
<b>Total liabilities</b>	2,015,269	945,162
<b>Member's equity (deficit)</b>	<u>46,402</u>	<u>(520,391)</u>
<b>Total liabilities and members' equity</b>	<u>\$ 2,061,671</u>	<u>\$ 424,771</u>

See independent auditor's report and accompanying notes to financial statements

**Image Studios 360 Franchise, LLC**  
**Statements of Income and Changes in Members' Equity (Deficit)**  
For the years ended December 31, 2020 and 2019

	2020	2019
<b>Revenues</b>		
Franchise fee income	\$ 437,697	\$ 79,000
Royalties income	247,866	125,660
Site development income	52,000	65,000
Other income	62,267	-
<b>Total revenues</b>	799,830	269,660
<b>General and administrative expenses</b>		
Payroll expense	310,118	292,400
Commissions and franchise broker fees	71,885	417,794
Professional fees	67,982	50,949
Office expenses	61,862	9,219
Travel and entertainment	55,195	64,604
Software costs	35,180	16,576
Advertising expense	20,272	63,936
Rent	13,825	13,800
Insurance	13,227	4,934
Office supplies	8,044	6,025
Training	7,994	10,112
Printing and reproduction	5,218	3,297
Utilities	4,315	3,669
Business licenses and permits	3,259	7,706
Computer and internet	1,254	1,245
Bank charges	1,219	727
Depreciation	906	1,969
Postage	258	85
Bad debt	-	4,876
Repairs and maintenance	-	900
<b>Total general and administrative expenses</b>	682,013	974,823
<b>Income (loss) from operations</b>	117,817	(705,163)
<b>Other income &amp; (expense)</b>		
Sublease rental income	8,400	13,800
Miscellaneous income	22,528	4,200
Interest expense	(184)	(1,023)
<b>Total other income &amp; (expense)</b>	30,744	16,977
<b>Net income (loss)</b>	148,561	(688,186)
<b>Members' equity (deficit), beginning of year</b>	(520,391)	90,906
<b>Member contributions</b>	6,038	76,889
<b>Cumulative-effect adjustment from adopting ASC 606</b>	412,194	-
<b>Members' equity (deficit), end of year</b>	\$ 46,402	\$ (520,391)

See independent auditor's report and accompanying notes to financial statements

**Image Studios 360 Franchise, LLC**  
**Statements of Cash Flows**  
For the years ended December 31, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 148,561	\$ (688,186)
<b>Adjustments to reconcile net income (loss) to net cash from operating activities:</b>		
Depreciation	906	1,969
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	(275,684)	(3,572)
Site development receivable	(45,500)	(39,000)
Prepaid expenses	25,135	(25,216)
Deposits	5,000	(5,000)
Deferred contract costs	(331,209)	-
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	171,223	1,050
Accrued liabilities	(5,858)	5,725
Deferred site development income	78,000	26,000
Deferred franchise fee revenue	523,834	678,500
<b>Net cash from operating activities</b>	<b>294,408</b>	<b>(47,730)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from repayment of related party notes receivable	-	10,167
<b>Net cash from investing activities</b>	<b>-</b>	<b>10,167</b>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	72,400	-
Payments on related notes payables	-	(12,828)
Net member contributions	6,038	76,889
<b>Net cash from financing activities</b>	<b>78,438</b>	<b>64,061</b>
<b>Net change in cash and equivalents</b>	<b>372,846</b>	<b>26,498</b>
<b>Cash and equivalents, beginning of year</b>	<b>336,781</b>	<b>310,283</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 709,627</b>	<b>\$ 336,781</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 184	\$ 1,023
<b>Supplemental disclosures of noncash financing activities:</b>		
Related notes payable converted to member contributions	\$ 3,451	\$ -

See independent auditor's report and accompanying notes to financial statements

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 1 - Organization** Image Studios 360 Franchise, LLC (the Company) began operations in the State of Utah on September 10, 2014. The Company is engaged in the business of selling franchises under the Image Studios 360 name. Its revenue is generated from the sales of franchises, and the collection of franchise fees, site development fees and royalties paid by the franchisees.

The Company's operations are subject to all the risks inherent to other franchisors and therefore, are dependent upon selling franchise locations to generate future profitability through royalties. The Company's current business model is to expand to multiple locations throughout the U.S. marketplace which it will then use its cash flow from royalties and franchise fees to allow the Company to operate free from outside financing sources. Management believes that current financing will provide the financial resources necessary to allow the Company to meet its obligations and support its operating activities until they have an established royalty base to run the operations.

**Note 2 - Significant accounting policies** **Basis of accounting** - The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables and other liabilities.

**Management Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Standard** - In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." Topic 606 includes the required steps to achieve the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In January 2021, the FASB issued Subtopic 952-606 as a Practical Expedient for revenues from contracts with customers for private-company franchisors to address concerns raised over determining whether pre-opening activities included separate performance obligations. Under this subtopic, private-company franchisors can account for the following pre-opening services provided to a franchisee as distinct from the franchise license: assistance in site selection, assistance in obtaining facilities and preparing the facilities for their intended use, training of franchisee personnel, preparation and distribution of manuals, bookkeeping, IT, and advisory services, and inspection, testing, and other quality control programs. As discussed further in Revenue Recognition, The Company adopted ASU 2014-09 under the Practical Expedient Subtopic 952-606 on January 1, 2020. The cumulative effect of the adoption was recognized as an increase in retained earnings of \$412,194 on January 1, 2020.

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements (continued)**  
**December 31, 2020 and 2019**

**Note 2 -  
Significant  
accounting  
policies  
(continued)**

**Cash and cash equivalents** - The Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are deposited with a financial institution and at times are in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2020 and 2019, the Company had \$209,702 and \$0 respectively, of uninsured cash balances at financial institutions.

**Accounts receivable** - Accounts receivable consist of royalty fees from franchisees. An allowance of doubtful accounts is based on evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio. All accounts are considered collectible by management and accordingly, no allowance for bad debts has been provided at December 31, 2020 and 2019.

**Property and equipment** - Property and equipment are valued at cost. Depreciation is calculated using the straight-line method over the assets' estimated useful lives of the property and equipment, ranging from 3 to 5 years. Depreciation and amortization expense for the year ended December 31, 2020 and 2019 was \$906 and \$1,969, respectively.

**Advertising** - Advertising and sales promotion costs are expensed as incurred. For the years ended December 31, 2020 and 2019 the Company incurred advertising expenses of \$20,272 and \$63,936, respectively.

**Revenue recognition** - On January 1, 2020, the Company adopted ASU 2014-09 utilizing the practical expedient Subtopic 952-606. Under this subtopic, the Company is able to recognize a portion of the initial franchise fee for specific pre-opening activities as a separate performance obligation from the license. The Company has identified the following pre-opening services as a separate performance obligation: project management services, training and support, distribution of manuals, and other advisory services. Initial franchise fees allocated to these services are recognized as the specific milestones are achieved. The remaining initial fees are deferred and recognized evenly over the life of the agreement and are included in the Deferred Franchise Fee Revenue account in these financial statements.

Sales commissions and broker fees that related directly to the sale of a franchise are capitalized and amortized over the life of the agreement and are included in the Deferred Costs account in these financial statements. The Company also assists with the site selection and development for the franchisee and charges a fee separate from the initial fee. These site development fees are recognized when substantially all the obligations, surrounding the support provided in identifying a location for the franchise, have been met.

Franchisees pay continuing franchise royalties based on a defined percentage of franchise revenues and are recognized at a point in time as the sales occur.

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements (continued)**  
**December 31, 2020 and 2019**

**Note 2 -  
Significant  
accounting  
policies  
(continued)**

**Revenue recognition (continued)** - Revenues disaggregated based on the timing of their recognition are detailed below:

	2020	2019
Point-in-time	\$112,223	\$ 79,000
Over-time	687,607	190,660
<b>Total revenues</b>	<b>\$799,830</b>	<b>\$269,660</b>

**Sales commissions** - In 2020, the Company adopted FASB ASC 340-40, *Other Assets and Deferred Costs—Contracts with Customers* as part of ASU 2014-09. Sales commissions paid to sales personnel and third-party brokers are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are capitalized and amortized on a straight-line basis over ten years which represents the initial term of the franchise agreement.

**Fair value of financial instruments** - The carrying amounts reported in the accompanying financial statements for cash equivalents, accounts receivable, prepaid expenses, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

**Income taxes** - The Company with the consent of its members, was formed as an LLC. The Company's earnings and losses are included and taxed in the personal income tax returns of its members. Accordingly, the Company does not incur income tax obligations. The Company follows the provisions of FASB ASC 740-10 relating to accounting for uncertainty in income taxes. These provisions clarify the accounting and reporting for uncertainties in the application of the income tax laws to the Company's operations. The provisions also prescribe a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. There was no impact to the results of operations and financial position as a result of adopting these provisions. Tax years that remain subject to examination are years 2017 and forward.

**Reclassification** - Certain prior period balances have been reclassified to conform with the current period presentation. The reclassifications have no impact on revenue or net income for 2019.

**Note 3 -  
Property and  
equipment**

Property and equipment at December 31, 2020 and 2019 is as follows:

December 31	2020	2019
Furniture and equipment	\$ 13,494	\$ 13,494
Leasehold improvements	9,847	9,847
<b>Total property and equipment</b>	<b>23,341</b>	<b>23,341</b>
Accumulated depreciation	(23,341)	(22,435)
<b>Property and equipment, net</b>	<b>\$ -</b>	<b>\$ 906</b>

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements (continued)**  
**December 31, 2020 and 2019**

**Note 4 - Operating leases include sublease income** - The Company leases office space under a three-year non-cancelable operating lease agreements expiring at November 2021. The leases require the Company to pay utilities separately. The Company has entered into a sublease agreement for its office space with a third-party, which expires in November 2021. Total rent expense for 2020 and 2019 was \$13,825 and \$13,800, respectively.

Future minimum lease payments under non-cancelable lease, as well as sublease income, are as follows:

For the years ended December 31	Minimum Lease Commitments	Sublease income	Net lease commitments
2021	12,650	7,700	-
<b>Totals</b>	<b>\$ 12,650</b>	<b>\$ 7,700</b>	<b>\$ -</b>

*FASB ASU No. 2016-02, Leases (Topic 842)* - Issued in February 2016, ASU No. 2016-02 is intended to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. In response to global concerns regarding the effect the COVID-19 pandemic may have on businesses, FASB decided to amend the effective date of Topic 842 for private companies to annual reporting periods beginning after December 15, 2021. The impact of the pronouncement will affect the Company for the financial reporting period ending December 31, 2022.

**Note 5 - Related Party Transactions** - Related party payable - The Company had one note payable with an entity that has joint ownership with one of its members. This note was converted to a member contribution during 2020. The balance on this note as of December 31, 2020 and 2019 was \$0 and \$3,451, respectively.

**Note 6 - Note Payable** - In April, 2020, the Company applied for and received a Payroll Protection Program (PPP) loan through the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$52,200. Under the terms of the loan, if it is not forgiven it will mature April 2022, accrue interest at 1%, and require monthly principal and interest payments.

In January 2021, the Company was informed that the Small Business Administration (SBA) had approved their loan forgiveness application and the Company had been relieved of this full loan obligation. At December 31, 2020, the entire note is considered current and is included in note payable, current portion on the balance sheet of these financial statements.

The Company also obtained an Economic Injury Disaster Loan from the Small Business Administration totaling \$72,400 as a result of the COVID-19 pandemic. Interest on the loan accrues at 3.75% and requires monthly principal and interest payments of \$354 starting May 2021. The loan matures in August 2048. The five year maturities on this loan as follows: 2021 - \$1,031, 2022 - \$1,595, 2023 - \$1,656, 2024 - \$1,719, 2025 - \$1,785, thereafter - 64,714.

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements (continued)**  
**December 31, 2020 and 2019**

**Note 7 - COVID-19** In March 2020, the World Health Organization ("WHO") labeled the COVID-19 virus outbreak a global pandemic. There has been no immediate impact to the Company's operations. Future potential impacts may include disruptions or restrictions on the franchisees ability to operate their locations resulting in lowered or lost royalty revenues. The future effects of these issues are unknown.

**Note 8 - Franchise Reacquisition** In 2021, the Company was presented with the opportunity to reacquire ten franchise licenses in the Philadelphia market. As of the date of these financial statements, the Company is in negotiations to complete these reacquisitions, but there has been no official agreed upon terms to date by both parties.

**Note 9 - Subsequent events** The Company evaluated all events or transactions that occurred after December 31, 2020 through April 30, 2021, the date the Company issued these financial statements. Other than the events disclosed in Note 6 and Note 8, management has not identified any additional subsequent events requiring disclosure.



**Image Studios 360 Franchise, LLC**

Financial Statements and  
Independent Auditor's Report

December 31, 2019 and 2018

Prepared by Bangerter, Lund Associates, Inc.  
Certified Public Accountants

**Image Studios 360 Franchise, LLC**  
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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**Image Studios 360 Franchise, LLC**  
Salt Lake City, Utah

We have audited the accompanying financial statements of Image Studios 360 Franchise, LLC (a Utah limited liability company), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income and changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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 statements referred to above present fairly, in all material respects, the financial position of Image Studios 360 Franchise, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bangerter, Lund & Associates, P.C.*

Bountiful, Utah  
April 30, 2020

**Image Studios 360 Franchise, LLC**  
**Balance Sheets**  
December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 336,781	\$ 310,283
Accounts receivable	14,368	10,796
Site development receivable	39,000	-
Prepaid expenses	25,216	-
<b>Total current assets</b>	<b>415,365</b>	<b>321,079</b>
<b>Property and equipment, net</b>	906	2,875
<b>Other assets</b>		
Related party receivable	-	10,167
Deposits	8,500	3,500
<b>Total other assets</b>	<b>8,500</b>	<b>13,667</b>
<b>Total assets</b>	<b>\$ 424,771</b>	<b>\$ 337,621</b>

**Liabilities and Members' Equity**

<b>Current liabilities:</b>		
Accounts payable	\$ 13,811	\$ 12,761
Accrued liabilities	28,233	22,508
<b>Total current liabilities</b>	<b>42,044</b>	<b>35,269</b>
Related notes payables	3,451	16,279
Deferred site development income	26,000	-
Deferred franchise fee revenue	873,667	195,167
<b>Total long term liabilities</b>	<b>903,118</b>	<b>211,446</b>
<b>Total liabilities</b>	<b>945,162</b>	<b>246,715</b>
<b>Member's equity (deficit)</b>	<b>(520,391)</b>	<b>90,906</b>
<b>Total liabilities and members' equity</b>	<b>\$ 424,771</b>	<b>\$ 337,621</b>

See independent auditor's report and accompanying notes to financial statements

**Image Studios 360 Franchise, LLC**  
**Statements of Income and Changes in Members' Equity**  
For the years ended December 31, 2019 and 2018

	2019	2018
<b>Revenues</b>		
Franchise fee income	\$ 79,000	\$ 13,333
Royalties income	125,660	89,975
Site development income	65,000	22,750
Sublease rental income	13,800	17,505
Miscellaneous income	4,200	2,840
<b>Total revenues</b>	<b>287,660</b>	<b>146,403</b>
<b>General and administrative expenses</b>		
Franchise broker fees	303,704	80,543
Payroll expense	292,400	129,307
Commission expense	114,090	36,000
Travel and entertainment	64,604	19,481
Advertising expense	63,936	39,959
Professional fees	50,949	42,652
Software costs	16,576	9,656
Rent	13,800	17,505
Training	10,112	9,459
Office expenses	9,219	1,654
Business licenses and permits	7,706	5,072
Office supplies	6,025	672
Insurance	4,934	6,391
Bad debt	4,876	-
Utilities	3,669	3,705
Printing and reproduction	3,297	3,579
Depreciation	1,969	3,571
Computer and internet	1,245	-
Repairs and maintenance	900	-
Bank charges	727	427
Postage	85	392
<b>Total general and administrative expenses</b>	<b>974,823</b>	<b>410,025</b>
<b>Loss from operations</b>	<b>(687,163)</b>	<b>(263,622)</b>
<b>Other income &amp; (expense)</b>		
Interest expense	(1,023)	-
<b>Total other income &amp; (expense)</b>	<b>(1,023)</b>	<b>-</b>
<b>Net loss</b>	<b>(688,186)</b>	<b>(263,622)</b>
<b>Members' equity (deficit), beginning of year</b>	<b>90,906</b>	<b>(356,003)</b>
<b>Net member contributions &amp; (distributions)</b>	<b>76,889</b>	<b>710,531</b>
<b>Members' equity (deficit) end of year</b>	<b>\$ (520,391)</b>	<b>\$ 90,906</b>

See independent auditor's report and accompanying notes to financial statements

**Image Studios 360 Franchise, LLC**  
**Statements of Cash Flows**  
For the years ended December 31, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities:</b>		
Net loss	\$ (688,186)	\$ (263,622)
<b>Adjustments to reconcile net loss to net cash from operating activities:</b>		
Depreciation	1,969	3,571
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	(3,572)	(5,496)
Site development receivable	(39,000)	-
Prepaid expenses	(25,216)	-
Deposits	(5,000)	-
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	1,050	2,441
Accrued liabilities	5,725	4,206
Deferred site development income	26,000	-
Deferred franchise fee revenue	678,500	162,167
<b>Net cash from operating activities</b>	<b>(47,730)</b>	<b>(96,733)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from repayment of related party notes receivable	10,167	1,790
<b>Net cash from investing activities</b>	<b>10,167</b>	<b>1,790</b>
<b>Cash flows from financing activities:</b>		
Net payments and borrowings on related notes payables	(12,828)	53,645
Net member contributions & distributions	76,889	311,462
<b>Net cash from financing activities</b>	<b>64,061</b>	<b>365,107</b>
<b>Net change in cash and equivalents</b>	<b>26,498</b>	<b>270,164</b>
<b>Cash and equivalents, beginning of year</b>	<b>310,283</b>	<b>40,119</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 336,781</b>	<b>\$ 310,283</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 1,023	\$ -
<b>Supplemental disclosures of noncash financing activities:</b>		
Related notes payable converted to member contributions	\$ -	\$ 399,069

See independent auditor's report and accompanying notes to financial statements

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 1 - Organization** Image Studios 360 Franchise, LLC (the Company) began operations in the State of Utah on September 10, 2014. The Company is engaged in the business of selling franchises under the Image Studios 360 name. Its revenue is generated from the sales of franchises, and the collection of franchise fees, site development fees and royalties paid by the franchisees.

The Company's operations are subject to all the risks inherent to other franchisors and therefore, are dependent upon selling franchise locations to generate future profitability through royalties. The Company's current business model is to expand to multiple locations throughout the U.S. marketplace which it will then use its cash flow from royalties and franchise fees to allow the Company to operate free from outside financing sources. Management believes that current financing will provide the financial resources necessary to allow the Company to meet its obligations and support its operating activities until they have an established royalty base to run the operations.

**Note 2 - Significant accounting policies** **Basis of accounting** - The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables and other liabilities.

**Management Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** - The Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are deposited with a financial institution and at times are in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2019 and 2018, the Company had \$0 and \$64,454 respectively, of uninsured cash balances at financial institutions.

**Accounts receivable** - Accounts receivable consist of royalty fees from franchisees. An allowance of doubtful accounts is based on evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio. All accounts are considered collectible by management and accordingly, no allowance for bad debts has been provided at December 31, 2019 and 2018.

**Property and equipment** - Property and equipment are valued at cost. Depreciation is calculated using the straight-line method over the assets' estimated useful lives of the property and equipment, ranging from 3 to 5 years. Depreciation and amortization expense for the year ended December 31, 2019 and 2018 was \$1,969 and \$3,571, respectively.

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements (continued)**  
**December 31, 2019 and 2018**

**Note 2 - Significant accounting policies (continued)**     **Advertising** - Advertising and sales promotion costs are expensed as incurred. For the years ended December 31, 2019 and 2018 the Company incurred advertising expenses of \$63,936 and \$39,959, respectively.

**Revenue recognition** - Initial fees related to the sales of franchises are recognized as revenue upon substantial performance, by the Company, of all material conditions relating to the initial fee. Franchise fees are received and initially deferred upon signing the agreement until the franchise opens, at which point, the fees will be fully recognized as revenue. Site development fees are recognized when substantially all the obligations, surrounding the support provided in identifying a location for the franchise, have been met. Continuing franchise royalties are based on a defined percentage of franchise revenues and are recognized at a point in time as the sales occur.

**FASB ASU No. 2014-09, Revenue From Contracts with Customers (Topic 606)** - In May 2014, FASB and the IASB completed their joint project on revenue recognition and FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from contracts with Customers, primarily to clarify the principles for revenue recognition. The goals of the standard setters in this joint project on revenue recognition were to, 1) remove inconsistencies and weaknesses in existing revenue recognition standards and practices, 2) provide a more robust framework for addressing revenue recognition issues, 3) improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, 4) provide more useful information to users of financial statements through improved disclosure requirements, and 5) simplify the preparation of financial statements by reducing the number of requirements to which entities must refer.

In response to global concerns about the effects that the COVID-19 pandemic may have on certain businesses, including franchisors, FASB voted to delay the effective date of implementation of ASU No. 2014-09, Revenues from Contracts with Customers (Topic 606) on franchisors that are not public business entities to annual reporting periods beginning after December 15, 2019. This amendment is optional, however, the Company determined that they would comply with the amendment and will implement the standard for the fiscal year ended December 31, 2020.

**Fair value of financial instruments** - The carrying amounts reported in the accompanying financial statements for cash equivalents, accounts receivable, prepaid expenses, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements (continued)**  
**December 31, 2019 and 2018**

**Income taxes** - The Company with the consent of its members, was formed as an LLC. The Company's earnings and losses are included and taxed in the personal income tax returns of its members. Accordingly, the Company does not incur income tax obligations. The Company follows the provisions of FASB ASC 740-10 relating to accounting for uncertainty in income taxes. These provisions clarify the accounting and reporting for uncertainties in the application of the income tax laws to the Company's operations. The provisions also prescribe a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. There was no impact to the results of operations and financial position as a result of adopting these provisions. Tax years that remain subject to examination are years 2016 and forward.

**Note 3 -  
Property and  
equipment**

Property and equipment at December 31, 2019 and 2018 is as follows:

December 31	2019	2018
Furniture and equipment	\$ 13,494	\$ 13,494
Leasehold improvements	9,847	9,847
Total property and equipment	23,341	23,341
Accumulated depreciation	(22,435)	(20,466)
Property and equipment, net	\$ 906	\$ 2,875

**Note 4 -  
Operating  
leases include  
sublease  
income**

The Company leases office space under a three-year non-cancelable operating lease agreements expiring at November 2021. The leases require the Company to pay utilities separately. The Company has entered into a sublease agreement for its office space with a related party, which expires in November 2021. Total rent expense for 2019 and 2018 was \$13,800 and \$17,505, respectively.

Future minimum lease payments under non-cancelable lease, as well as sublease income, are as follows:

For the years ended December 31	Minimum Lease Commitments	Sublease income	Net lease commitments
2020	\$ 13,800	\$ 13,800	\$ -
2021	12,650	12,650	-
Totals	\$ 26,450	\$ 26,450	\$ -

**Image Studios 360 Franchise, LLC**  
**Notes to Financial Statements (continued)**  
**December 31, 2019 and 2018**

**Note 4 - Operating leases include sublease income (continued)** *FASB ASU No. 2016-02, Leases (Topic 842)* - Issued in February 2016, ASU No. 2016-02 is intended to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. In response to global concerns regarding the effect the COVID-19 pandemic may have on businesses, FASB decided to amend the effective date of Topic 842 for private companies to annual reporting periods beginning after December 15, 2021. The impact of the pronouncement will affect the Company for the financial reporting period ending December 31, 2022.

**Note 5 - Related Party Transactions** There were various related party transactions resulting in receivables outstanding at December 31, 2019 and 2018 with entities under common ownership which amounted to \$0 and \$10,167, respectively. This note was paid back to the Company during 2019 with proceeds from the sale of one of the locations that was under common ownership.

Related party payable - The Company had two notes payable with entities that have joint ownership with one of its members. These notes were paid back to the related party during the year ended December 31, 2019. The current balance reflects additional amounts borrowed from one of the related parties during the year ended December 31, 2019. The balances on these notes as of December 31, 2019 and 2018 was \$3,451 and \$16,279, respectively.

**Note 6 - COVID-19** On March 11, 2020, the World Health Organization ("WHO") labeled the COVID-19 virus outbreak a global pandemic. In response, the Company's franchisees have stopped normal operations. The Company has evaluated the impact this pandemic will have on their essential cash needs and operations. They feel confident that they could continue operations for at least 18 months without any franchise or royalty revenues based on reserve cash funds and operational support. Their outlook is for the franchisees to resume operations by June or July 2020, leaving them three to four months to cover overhead and other expenses. They have also deferred royalties owed by the franchisees and will address the deferral with the franchisees on a monthly basis until it is deemed appropriate to start collecting these funds again.

The Company has applied for the Paycheck Protection Program loan through the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and expect to receive \$52,763 to preserve their current staffing. They have also received grant funds from the SBA's Economic Injury Disaster Loan program which will go towards other operating expenses.

With these actions, the Company believes they have appropriately responded to the COVID-19 pandemic and do not believe this inhibits their ability to continue as a going concern.

**Note 7 - Subsequent events** The Company evaluated all events or transactions that occurred after December 31, 2019 through April 30, 2020, the date the Company issued these financial statements. Other than the events disclosed in Note 6, management has not identified any additional subsequent events requiring disclosure.

**EXHIBIT G**

**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**

**MULTI-STATE ADDENDUM**

## **EXHIBIT G**

### **MULTI-STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND DEVELOPMENT AGREEMENT**

The following modifications and additions are part of the Image Studios 360 Franchise, LLC Franchise Disclosure Document (“FDD”) and may supersede certain portions of the Franchise Agreement (“FA”) or Development Agreement (“DA”) as required by relevant state laws.

#### **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 DISCLOSURE DOCUMENT.

Neither we, nor any person or franchise broker disclosed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to You 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.

All the owners of the franchise will be required to execute personal guarantees. This requirement places the marital assets of the spouses domiciled in community property states – Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin – at risk if your franchise fails.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement requires binding arbitration. The arbitration will occur in the city where our headquarters are located at the time, currently that is Salt Lake City, Utah. The costs of such arbitration will be borne by the non-prevailing party.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

The Franchise Agreement requires application of the laws of the State of Utah. This provision may not be enforceable under California law.

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

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

The following paragraph is added to ITEM 19 of this Franchise Disclosure Document:

The earnings claims figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figure to obtain your net income or net profit. You should conduct an independent investigation of the costs and expenses You will incur in operating your franchised business. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.

The following sentence is added to ITEM 6 of this Franchise Disclosure Document:

The highest interest rate allowed in California is 10% annually.

IMAGE Studios Franchise' Uniform Resource Locator ("URL") address for locating its internet website is: <http://www.imagestudiosfranchise.com>. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~FINANCIAL PROTECTION AND INNOVATION~~BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF ~~FINANCIAL PROTECTION AND INNOVATION~~BUSINESS OVERSIGHT at [www.dfpibe.ca.gov](http://www.dfpibe.ca.gov).

**THE CALIFORNIA SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF CALIFORNIA OR WHO LOCATE THEIR FRANCHISES IN CALIFORNIA**

## **HAWAII**

1. The following list reflects the status of our franchise registrations in the states which have franchise registration and/or disclosure laws:

This registration is not currently effective in any state.

This proposed registration is on file with or will shortly be on file with the States of California, Hawaii, Illinois, Minnesota, New York, North Dakota, South Dakota and Washington.

There are no states which have refused, by order or otherwise, to register these franchises.

There are no states which have revoked or suspended the right to offer these franchises.

2. The Franchise Agreement has been amended as follows:

The Hawaii Franchise Investment Law provides rights to the Franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement, and more specifically, Sections 4.2, 16 and 18 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

Sections 4.2.9 and 18.2.3 of the Franchise Agreement require Franchisee to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

Section 16.2.1.10 of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

3. The Receipt Pages are amended to add the following:

THIS FRANCHISE WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED 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 THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, 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 AND THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

**THE HAWAII SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF HAWAII OR WHO LOCATE THEIR FRANCHISES IN HAWAII**

**ILLINOIS**

FDD State Cover Pages: Special Risks to Consider About This Franchise:

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

**Sales Performance Requirement.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.

Illinois law governs the agreements between the parties to this franchise.

Item 17 of the Disclosure Document and Sections 17 and 18D and any other choice of law, venue and jurisdictions provisions in the Franchise Agreement are amended, if required by law, to include the following:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

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

Item 17 of the Disclosure Document and Sections 2C and 14A of the Franchise Agreement are amended, if required by law, to state:

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

See the last page of this Exhibit G for your Signature.

**INDIANA**

ITEM 8 of the Franchise Disclosure Document is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the Franchisee does business, on account of, or in relation to, the transaction between the Franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted by the Franchisee.

ITEMS 6 and 9 of the Franchise Disclosure Document is amended to add the following:

The Franchisee will not be required to indemnify franchisor for any liability imposed upon franchisor as a result of franchisee's reliance upon or use of procedures or products which were required by franchisor, if such procedures or products were utilized by Franchisee in the manner required by franchisor.

ITEM 17 of the Franchise Disclosure Document is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise 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 a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.

ITEM 17(u) is amended to provide that arbitration between a Franchisee and franchisor will be conducted in Indiana or a site mutually agreed upon.

ITEM 17(v) is amended to provide that franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.

ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action which arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

**THE INDIANA SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF INDIANA OR WHO LOCATE THEIR FRANCHISES IN INDIANA**

**MARYLAND**

FDD State Cover Pages: Special Risks to Consider About This Franchise:

**Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

**Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

~~FDD Items 5 and 7; FA Section 6(A) and DA Section 2(A)~~

~~Based on our financial condition, the Maryland Securities Division has imposed a fee deferral requirement. Accordingly, the initial fees payable to us shall not be due until all initial obligations owed to you under the franchise agreement have been fulfilled.~~

The FDD is amended to state:

“IMAGE Studios has not registered the trademark, servicemark/logo in the State of Maryland. You are required to register the name “IMAGE Studios” as a dba for the entity operating the franchise in the state where the franchise marketing area is located.”

FDD Item 17 and FA Sections 1.03(m) and 5.04(c) are amended to state:

“Any release executed in connection with the Franchise Agreement is not intended to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

FDD and FA Sections 9.01 and 10.02 are amended to state:

“Notwithstanding anything in this Agreement to the contrary, EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW OR MATTERS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW WHICH SHALL BE GOVERNED THEREBY, THIS AGREEMENT AND THE RELATIONSHIP BETWEEN YOU AND US WILL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH, EXCEPT THAT THE UTAH BUSINESS OPPORTUNITY DISCLOSURE ACT AND ANY OTHER STATE LAW RELATING TO (1) THE OFFER AND SALE OF FRANCHISES, (2) FRANCHISE RELATIONSHIPS, OR (3) BUSINESS OPPORTUNITIES, WILL NOT APPLY UNLESS THE APPLICABLE JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH. YOU

MAY BRING A LAWSUIT IN MARYLAND FOR CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.”

“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of your franchise.”

“Any limitation of claims provisions shall not act to reduce the three-year statute of limitations afforded a Franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law.”

The FDD Item 17(u) and (v), FA Section 17(A), and DA Section 11(A) are amended as follows:

The franchise agreement and development agreement provide that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

The FDD and FA are amended as follows:

“Any provision in the Franchise Agreement restricting jurisdiction or venue to a forum outside of Maryland or requiring the application of the laws of another state is void with respect to a claim arising under the Maryland Franchise Registration and Disclosure Law.”

“Any claims under the Maryland Franchise Registration and Disclosure law may be brought in the State of Maryland.”

“Pursuant to COMAR 02.02.0816L, 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.”

“Any provision in the Disclosure Document or Franchise Agreement or the agreements attached as appendices thereto 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.”

“Your acknowledgement and representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

**THE MARYLAND SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MARYLAND OR WHO LOCATE THEIR FRANCHISES IN MARYLAND**

## **MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

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

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that You assent to a release, assignment, novation, waiver, or estoppel which deprives You of rights and protections provided in this act. This shall not preclude You, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating You by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if: (i) the term of the franchise is less than five (5) years and (ii) You are prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or You do not receive at least six (6) months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude You from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

(iv) You or your proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

**ESCROW REQUIREMENTS (IF ANY):** \_\_\_\_\_

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

**MINNESOTA**

**FDD Item 6 (regarding Franchise Agreement Section 4.5.2 and Insufficient Funds Charges)**

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

To the extent required by law, the Disclosure Document and Franchise Agreement are modified as follows:

“Any release executed in connection with the Franchise Agreement shall not apply to any claims arising under Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22, providing that a Franchisee cannot be required to assent to a release, assignment, or waiver that would relieve any person from liability imposed by such statutes; provided, however that this shall not bar the voluntary settlement of disputes.”

“With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statute Sec. 80C.14, subdivisions 3, 4 and 5 which require, except in certain specific cases, that we give You 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement. If Franchisor fails to give notice, the Franchise Agreement shall remain in effect from month to month until Franchisor has given the required notice.”

“Minnesota Statute Sec. 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the 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 a jury trial or any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

“Provided that You are in compliance with the terms and conditions of the Franchise Agreement, we will comply with Minnesota Statute Sec. 80C.12, Subd.1(g) which requires that the franchisor protect the franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.”

“The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.”

“The Limitation of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.”

**THE MINNESOTA SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MINNESOTA OR WHO LOCATE THEIR FRANCHISES IN MINNESOTA**

**NEW YORK**

FDD Cover Page

## **FRANCHISE DISCLOSURE DOCUMENT COVER PAGE**

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY THE STATE OF NEW YORK DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY ST., 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005.

[FDD State Cover Pages: Special Risks to Consider About This Franchise:](#)

[Mandatory Minimum Payments. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.](#)

### FDD Item 3

Except as described 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; 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 franchises 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 been held liable in a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; 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 any 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 these person from membership in these associations or exchanges; 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.

#### FDD Item 4

Except as disclosed above, neither the franchisor nor any of its affiliates, its predecessor, officers, or general partners have, during the 10 year period immediately preceding the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of ours held this position in the company or partnership

#### FDD Item 5

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

#### FDD Item 17

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, 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 provision of General Business Law 687.4 and 687.5 be satisfied.

The following is added to the end of the “Summary” sections of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the Franchise Agreement on any grounds available by law.

The following is added to the end of the “Summary” sections of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

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.

**THE NEW YORK SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF NEW YORK OR WHO LOCATE THEIR FRANCHISES IN NEW YORK**

**NORTH DAKOTA**

Sections of the Disclosure Document and Franchise Agreement providing for resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement requiring You to sign a general release upon renewal of the Franchise Agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement stipulating that You shall pay all costs and expenses incurred by us in enforcing the Franchise Agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Agreement requiring You to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended to the extent required by law.

Sections of the Franchise Agreement requiring You to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended to the extent required by law.

**THE NORTH DAKOTA SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF NORTH DAKOTA OR WHO LOCATE THEIR FRANCHISES IN NORTH DAKOTA**

## **RHODE ISLAND**

§ 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 Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

**THE RHODE ISLAND SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF RHODE ISLAND OR WHO LOCATE THEIR FRANCHISES IN RHODE ISLAND**

## **VIRGINIA**

FDD State Cover Pages: Special Risks to Consider About This Franchise:

**Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse’s marital and personal assets, perhaps including your house, at risk if your franchise fails.

FDD Items 5 and 7; FA Section 6(A) and DA Section 2(A)

~~The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre opening obligations under the franchise agreement.~~

FDD Item 17

The following statements are added to Item 17(h):

Pursuant to § 13.1-564 of the Virginia Retail Franchising Act, it is 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.

The following statements are added to Item 17(o):

Pursuant to § 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a Franchisee to surrender any right given to ~~them~~ under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a Franchisee to surrender any rights given to ~~them~~ under the franchise, that provision may not be enforceable.

**THE VIRGINIA SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF VIRGINIA OR WHO LOCATE THEIR FRANCHISES IN VIRGINIA**

**WASHINGTON**

Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, Development Agreement, Acknowledgment Addendum, and Related Agreements.

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 shall 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

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

A release or waiver of rights executed by a franchisee may ~~You shall~~ 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 and are amended.

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

~~————— In addition to the rights and responsibilities enumerated in the Disclosure Document and Franchise Agreement concerning termination and non-renewal, Washington State residents have certain rights under the Washington Franchise Investment Protection Act.~~

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 provision 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 State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Area Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

**THE WASHINGTON SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF WASHINGTON OR WHO LOCATE THEIR FRANCHISES IN WASHINGTON**

**WISCONSIN**

ITEM 17 of the Franchise Disclosure Document is amended to add the following:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement.

**THE WISCONSIN SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF WISCONSIN OR WHO LOCATE THEIR FRANCHISES IN WISCONSIN**

**(Signatures on following page)**

**ACKNOWLEDGMENT:**

It is agreed that the applicable foregoing state law addendum for the state of \_\_\_\_\_[insert state], if any, supersedes any inconsistent portion of the Franchise Agreement or Development Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement and Development Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement/ Development Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement/ Development Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state’s franchise laws, without considering this addendum .

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISOR:

IMAGE STUDIOS 360 FRANCHISE, LLC  
a Utah limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE

\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**(MUST BE SIGNED BY ALL OWNERS AND MANAGERS OF AN ENTITY  
FRANCHISEE)**

## STATE EFFECTIVE DATES

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

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

State	Effective Date
<u>Minnesota</u>	<u>pending</u>
Virginia	<u>pending</u>

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

**EXHIBIT H**

**TO DISCLOSURE DOCUMENT OF IMAGE STUDIOS 360 FRANCHISE, LLC**

**RECEIPTS**

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Image Studios 360 Franchise, LLC offers You a franchise, IMAGE Studios must provide this Disclosure Document to You 14 calendar days (10 business days in Michigan) before You sign a binding agreement with, or make a payment to IMAGE Studios or an affiliate in connection with the proposed franchise sale or grant, or sooner if required by applicable state law.

New York law requires a franchisor to provide the 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 IMAGE Studios does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state administrator listed in Exhibit A.

The name, principal business address, and telephone number of the franchise seller offering the franchise is: Jason Olsen, Brandon Campbell, Taylor Lamont: 1370 South 2100 East ~~551 West 400 North, Suite 101~~, Salt Lake City, Utah 8410846, (801) 785-7858

Other: \_\_\_\_\_

Issuance Date: June 4, 2021

IMAGE Studios authorizes the agent listed in Exhibit A to receive service of process for IMAGE Studios in your state.

I received a Disclosure Document dated as indicated above, that included the following Exhibits:

- Exhibit A - Schedule of State Administrators and Agents for Service of Process
- Exhibit B - List of Franchisees and Certain Former Franchisees
- Exhibit C - Franchise Agreement
- Exhibit D - Development Agreement
- Exhibit E - Manuals Table of Contents
- Exhibit F - Financial Statements
- Exhibit G - Multi-State Addendum
- Exhibit H - Receipts

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Franchisee

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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

**(YOUR COPY)**

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Image Studios 360 Franchise, LLC offers You a franchise, IMAGE Studios must provide this Disclosure Document to You 14 calendar days (10 business days in Michigan) before You sign a binding agreement with, or make a payment to IMAGE Studios or an affiliate in connection with the proposed franchise sale or grant, or sooner if required by applicable state law.

New York law requires a franchisor to provide the 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 in connection with the proposed franchise sale.

If IMAGE Studios does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state administrator listed in Exhibit A.

The name, principal business address, and telephone number of the franchise seller offering the franchise is: Jason Olsen, Brandon Campbell, Taylor Lamont: 1370 South 2100 East ~~551 West 400 North, Suite 101~~, Salt Lake City, Utah 84108+6, (801) 785-7858

Other: \_\_\_\_\_

Issuance Date: June 4, 2021

IMAGE Studios authorizes the agent listed in Exhibit A to receive service of process for IMAGE Studios in your state.

I received a Disclosure Document dated as indicated above, that included the following Exhibits:

- Exhibit A - Schedule of State Administrators and Agents for Service of Process
- Exhibit B - List of Franchisees and Certain Former Franchisees
- Exhibit C - Franchise Agreement
- Exhibit D - Development Agreement
- Exhibit E - Manuals Table of Contents
- Exhibit F - Financial Statements
- Exhibit F - Multi-State Addendum
- Exhibit G - Receipts

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Signature of Prospective Franchisee

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

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

**PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO IMAGE STUDIO 360 FRANCHISE, LLC BY EMAIL ATTACHMENT TO: info@imagestudios360.com BY FAX TO: (801) 618-4058, OR BY MAIL TO 1370 South 2100 East~~551 West 400 North, Suite 101~~, Salt Lake City, Utah 84108+6. (OUR COPY)**