

FRANCHISE DISCLOSURE DOCUMENT

FRENCHIES
modern nail care

FRENCHIES, LLC
a Colorado limited liability company
5931 Rain Dance Trail
Littleton, Colorado 80125
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FRENCHIES, LLC is offering franchises for the use of the trademark “FRENCHIES®” and related trademarks and service marks for the operation of a business offering hand and foot care services for men and women and the sale of related products (“**Nail Studio**”).

The total investment required to begin operating a FRENCHIES franchise ranges from ~~\$143157,8350~~ \$145,450 to ~~\$317349,800~~ \$338,400. This includes ~~\$15,000~~ \$129,500 to ~~\$1749,500~~ that you must pay to the franchisor. We may also offer you the right to develop multiple Nail Studios. You would then sign an “Area Development Agreement” and pay a Development Fee equal to the sum of the initial franchise fee for each franchise you agree to open.

This Disclosure Document summarizes, in plain English, select provisions of your franchise agreement and other information. Carefully read this Disclosure Document and all its accompanying agreements. Please note that you **must** receive this Disclosure Document **at least** 14 calendar days before you sign a binding agreement with (or make any payment to) the franchisor or an affiliate for the proposed franchise sale. **Please also note that no governmental agency has verified the information in this document.**

You may want to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of different formats for this Disclosure Document, contact our Chief Executive Officer, Guy Coffey, at the address and telephone number above.

The terms of your contract will govern your franchise relationship. Please do not rely on this 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. The Federal Trade Commission provides more information about franchising, including “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document. You can contact the FTC at 1.877.FTC.HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s website at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: April ~~28~~ 27, 2017~~6~~.

(Please see the page entitled “Franchise Disclosure Document Effective Dates in Designated States” for State-Specific Effective Dates.)

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY ARBITRATION OR LITIGATION IN COLORADO. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS-FAVORABLE SETTLEMENT. IT MAY ALSO COST MORE TO ARBITRATE OR LITIGATE WITH US IN COLORADO THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. WE WERE FORMED ON MARCH 11, 2015 AND HAVE A LIMITED OPERATING HISTORY AND EXPERIENCE IN THE OFFER AND SALE OF FRANCHISES.
4. THERE MAY BE OTHER RISKS RELATED TO THIS FRANCHISE.

We may use one or more franchise brokers or referral sources to help us sell our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

EFFECTIVE DATE: Please see the page entitled “Franchise Disclosure Document Effective Dates in Designated States” for State-Specific Effective Dates.

**NOTICE MANDATED BY SECTION 8 OF
MICHIGAN'S FRANCHISE INVESTMENT ACT**

The following is applicable to you if you are a Michigan resident or your franchise will be located in 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.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall will not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall will include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall will not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall will include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor.— This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.:— Franchise, 525 West Ottawa Street, Lansing, Michigan 48909, telephone:— (517) 373-7117.

**FRANCHISE DISCLOSURE DOCUMENT EFFECTIVE DATES
IN DESIGNATED STATES**

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

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

CALIFORNIA	NOT REGISTERED <u>PENDING</u>
HAWAII	NOT REGISTERED <u>NOT REGISTERED</u>
ILLINOIS	NOT REGISTERED <u>PENDING</u>
INDIANA	NOT REGISTERED <u>PENDING</u>
MARYLAND	NOT REGISTERED <u>PENDING</u>
MICHIGAN	NOT REGISTERED <u>PENDING</u>
MINNESOTA	Pending <u>PENDING</u>
NEW YORK	NOT REGISTERED <u>PENDING</u>
NORTH DAKOTA	NOT REGISTERED <u>PENDING</u>
RHODE ISLAND	NOT REGISTERED <u>PENDING</u>
SOUTH DAKOTA	NOT REGISTERED <u>PENDING</u>
VIRGINIA	NOT REGISTERED <u>PENDING</u>
WASHINGTON	NOT REGISTERED <u>PENDING</u>
WISCONSIN	NOT REGISTERED <u>PENDING</u>

In all other states, the effective date of this Franchise Disclosure Document is April 27~~6~~, 2017~~6~~.

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EXHIBITS:

- EXHIBIT A: LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS
- EXHIBIT B: FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS
- EXHIBIT C: AREA DEVELOPMENT AGREEMENT, GUARANTY, AND STATE-SPECIFIC ADDENDA
- EXHIBIT D: TABLE OF CONTENTS OF OPERATIONS MANUAL
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- EXHIBIT F: FINANCIAL STATEMENTS
- EXHIBIT G: STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT
- EXHIBIT H: FRANCHISEE QUESTIONNAIRE

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

To simplify the language in this Franchise Disclosure Document, “**Frenchies**,” “**Frenchies Nail Salons**,” “**we**,” “**us**,” or “**our**” means **FRENCHIES, LLC**, the “**Franchisor**.” “**You**” or “**your**” means the person, corporation, partnership, or other business entity that buys the franchise, the “**Franchisee**.” If you are a corporation, partnership, or other entity, “**you**” includes the franchisee’s owners.

The Franchisor

We are a Colorado limited liability company formed on March 11, 2015. Our principal business address is 5931 Rain Dance Trail, Littleton, Colorado 80125, and our phone number is 720.526.2935. We do business under our corporate name, as “**FRENCHIES**,” as “**FRENCHIES MODERN NAIL CARE**,” and as “**FRENCHIES NAIL SALONS**,” and under no other names. Our affiliate began operating its **FRENCHIES** studio in February 2014 and we began offering franchises for the operation of Nail Studios on April 7, 2015. We do not conduct business in any other line of business nor do we offer franchises in any other line of business.

Our agents for service of process are disclosed on **Exhibit A**.

The Business

We offer franchises for the establishment, development, and operation of businesses offering hand and foot care services for men and women and the sale of related products and services (“**Nail Studio**”) in a clean and high-quality, non-tipping service environment, under the “**FRENCHIES**” trademark and our other trademarks, trade names, service marks, and logos (“**Marks**”). The franchise will operate using a unique system with high standards of service, including valuable know-how, information, trade secrets, confidential information, training methods, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of internet usage, the sale of proprietary products, and research and development connected with the operation and promotion of Nail Studios (“**System**”). We reserve the right to change or otherwise modify the System at any time in our sole discretion.

You must operate your Nail Studio according to our standard business operating practices and sign our standard franchise agreement (“**Franchise Agreement**”). The Franchise Agreement for the operation of a single Nail Studio is attached as **Exhibit B**. Your Nail Studio must offer authorized services and products, specifically including approved hand and foot services for men and women and the sale of related products and services. You also must follow our policies and procedures, specifically including our commitment to cleanliness, sterilized instruments, and high-end customer service. We reserve the right to add, modify, or delete any services or products that you must offer or sell at your Nail Studio at any time in our sole discretion, and to change or modify our policies.

We will grant you the right to operate one (1) Nail Studio at a location we specify in your Franchise Agreement. We also offer qualified people the right to develop multiple Nail Studios within a specific territory under the terms of an Area Development Agreement. The Development Agreement is attached as **Exhibit C**. If you sign an Area Development Agreement, you will sign a separate then-current form of the Franchise Agreement for each Nail Studio you develop under your Area Development Agreement.

We retain the right, in our sole discretion, to choose to award or not to award a franchise to any prospective franchisee, and to cease discussions about the awarding of a franchise at any time, regardless of the stage of the franchise award process or the time and money spent by you or any other prospective franchisee.

Our Parent, Predecessors, and Affiliates

We have one related entity: **FRENCHIES REVOLUTION, LLC**, a Colorado limited liability company that was formed on March 7, 2013 (“**Frenchies Revolution**”). Frenchies Revolution has a principal address of 5931 Rain Dance Trail, Littleton, Colorado 80125. Frenchies Revolution owns and operates ~~the~~an existing FRENCHIES Nail Studio, which it opened on February 14, 2014. Frenchies Revolution has never offered franchises for this business and, other than the nail studio described in this paragraph, does not operate its own studios.

We do not currently have any affiliates that sell goods or services to our franchisees.

Other than as described above, none of these parents, predecessors, or affiliates has ever offered any nail studio franchises or franchises in any other line of business, nor have they operated any nail studios.

Market Competition

You will sell manicure and pedicure services—and other related products and services—to the general public. The market for nail services and products is developed and competitive. As a result, you will compete for customers with other companies and organizations that offer nail products and services. Competitors may include individuals and small- to medium-sized companies, similar franchise systems, and large corporations. You will also face normal business risks that could have an adverse effect on your Nail Studio. These include industry developments, including your competitors’ pricing policies, and supply and demand. Your financial success may also be sensitive to changes in general economic conditions, both globally and nationally.

Industry Specific Regulations

Your Nail Studio will be subject to national, state, and local regulations that apply to all businesses, including the Americans With Disabilities Act, wage and hour laws, occupational health and safety, equal employment opportunity, taxes, hazardous material communication to employees, and business licensing requirements. In addition, you must comply with all zoning laws and regulations applicable to the Nail Studio. Because you will accept credit cards, you will also have to comply with any general laws and regulations relating to the acceptance of credit cards, including Payment Card Industry (“**PCI**”) Data Security Standard (“**DSS**”). Compliance with the PCI DSS is your responsibility.

A number of states have licensing and permitting laws and regulations that may apply to the Nail Studio. For example, many jurisdictions have laws that require nail technician licensing, cosmetologist licensing, other related licensing, bonding, and insurance, and compliance with certain building codes, safety regulations, health requirements, and other similar requirements. Your Nail Studio may be required to comply with one or more of these requirements in your jurisdiction. You and your employees must ensure that you, your employees, and others providing products and services to customers on behalf of your Nail Studio have all required licenses and permits.

You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Nail Studio, and you should consider their impact and the cost of compliance. You may also be required to register your business location with a state agency. You should also investigate state sales tax obligations that may affect your Nail Studio.

**ITEM 2
BUSINESS EXPERIENCE**

Chief Executive Officer, Guy Coffey.

Guy Coffey has been our Chief Executive Officer since we began operating in March 2015. He is also the Managing Partner of our affiliate, Frenchies Revolution, a role he has held since its inception in 2013. Guy is also the Managing Partner of Double Lane Enterprises, which owns and operates multiple Anytime Fitness clubs in Colorado.

Chief Financial Officer, Daniel Bailey.

Daniel Bailey has been our Chief Financial Officer since we began operating in March 2015. Since 2010, he has also been an owner and the Sales Manager of BAILEY NURSERIES, INC., a Minnesota-based company that sells nursery products in the United States, Canada, and Europe.

Chief Operating Officer, Stephanie Coffey.

Stephanie Coffey has been our Chief Operating Officer since we began operating in March 2015. ~~From 2013 through 2016 Stephanie acted as~~ She is also the Senior Vice President of Franchise Development and Support for Waxing the City, a role she has filled since May 2015. ~~Before her promotion to Senior Vice President, Stephanie was a the Director of Franchise Development with Waxing the City, a position she first took in 2012. Before that position~~ Waxing the City, Stephanie was employed by Anytime Fitness as a Franchise Consultant for multiple Anytime Fitness club owners from September 2009 to October 2012. Since 2007, she has been an owner and partner at Double Lane Enterprises, which owns and operates multiple Anytime Fitness clubs in Colorado.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item about our company or any person listed in **ITEM 2**.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

Standard Franchises

Our initial franchise fee (“**Initial Franchise Fee**”) for a Nail Studio is ~~\$17,500~~49,500, payable when you sign your Franchise Agreement. We may discount the Initial Franchise Fee in the following situations:

- ~~1. We offer a reduced initial franchise fee to the first five (5) persons to sign a Franchise Agreement. If you qualify for this discount, we will reduce the Initial Franchise Fee to \$15,000.~~
- ~~2.~~1. We offer a reduced initial franchise fee to existing franchisees of ours that are open, operating, and in good standing (*i.e.*, not subject to any uncured default notice). If you meet these conditions, we will reduce the Initial Franchise Fee to ~~\$15,000~~39,500.

2. ~~We also~~ have a Veteran's program that offers reduced franchise fees to current members of the United States Military and veterans who received an honorable discharge from a branch of the United States Military. If you qualify for this discount, we will reduce the Initial Franchise Fee to ~~\$15,000~~\$9,500.
3. We offer a reduced franchise fee to franchisees wishing to pursue a multiple-unit Area Development Agreement. If you meet the conditions necessary to pursue this, we will reduce the Initial Franchise Fee to \$39,500 per unit for a two (2) unit Area Development Agreement, and \$29,500 per unit for an Area Development Agreement for three (3) or more four (4) units; \$27,500 per unit for an Area Development Agreement for five (5) units; \$25,500 per unit for an Area Development Agreement for six (6) units; \$23,500 per unit for an Area Development Agreement for seven (7) units; \$21,500 per unit for an Area Development Agreement for eight (8) units, and \$19,500 per unit for an Area Development Agreement for nine (9) or more units.

In each case, these reductions only apply to Franchise Agreements you enter into with us during the time we offer the discount program. We have the right to modify or terminate any of these programs at any time. In all cases, the Initial Franchise Fee is due in full when you sign the Franchise Agreement, deemed fully earned by us once paid. The Initial Franchise Fee is non-refundable.

You will have nine (9) months from the date you sign the Franchise Agreement to open and begin operating your Nail Studio. If you want to extend that time for an additional three (3) months, and we agree to allow you to do so, you must pay a \$500 extension fee to us as a condition to our granting the extension. After twelve (12) months from the date you sign the Franchise Agreement, you must begin paying the Minimum Royalty Fee (see ~~ITEM 6~~~~ITEM 6~~~~ITEM 6~~) to us, whether or not your Nail Studio is open. If your Franchise Agreement designates the site of your studio is "to be determined" so that you have no protected territory, or if you agree to release any protected territory that has been given to you and to seek a site for your studio in an area "to be determined," then we will grant you one 9-month extension (after payment of the \$500 extension fee) and we will waive the Minimum Royalty Fee until you begin operating your Nail Studio. The extension fee also applies if we agree to allow you to extend the date for opening any Nail Studio that you agree to open under your Area Development Agreement. We are not obligated to grant these extensions, and we have the right to condition our consent on other requirements. Extension fees are not refundable and are not credited against any other obligation you may have to us. After 18 months from the date you sign the Franchise Agreement, if you have not signed a lease for a location, we will place the Franchise Agreement in default and, if you do not open within the time provided for cure, we will terminate the Franchise Agreement.

Area Development

We offer Area Development Agreements for you to develop multiple Nail Studios. The development fees you pay when you sign an Area Development Agreement will vary depending on the number of studios you commit to open, whether you are already operating a FRENCHIES franchise and are in good standing (an "**Existing Franchisee**"), and whether you are a veteran.

If you choose to enter into an Area Development Agreement, you must pay a development fee ("**Development Fee**") equal to the Initial Franchise Fee for each Nail Studio you agree to open upon signing our form of Area Development Agreement as set forth in paragraph 3 above. For example, if you sign an Area Development Agreement to open three (3) Nail Studios and you are not an Existing Franchisee or a veteran, you pay a Development Fee of ~~\$1088,500~~\$47,500 (the ~~\$1749,500 Initial Franchise Fee for your first Nail Studio, plus \$15,000~~\$29,500 for each of your ~~second and third~~three Nail Studios, ~~which are discounted based on your qualification for our existing franchisee program~~).

You will not pay an additional Initial Franchise Fee for any of the Nail Studios we require you to develop under the Area Development Agreement. In all cases, reductions only apply to Area Development

Agreements you enter into with us during the time we offer the discount programs. We have the right to modify or terminate any of these programs at any time. For any territories under your Area Development Agreement that are not developed within the time frame outlined in the Agreement, such territories will be released to the Franchisor and, under the Franchisor's sole discretion, may be sold to other prospective buyers and the Franchisor may, in its sole discretion, offer you an alternative territory in lieu of terminating your Agreement.

All portions of the Development Fee are payable in full when you sign the Area Development Agreement and are non-refundable.

ITEM 6 OTHER FEES

TYPE OF FEE	AMOUNT (NOTE 1)	DUE DATE	REMARKS
Royalty Fee (Note 2)	Greater of: (a) the Minimum Royalty Fee (\$100/week); or (b) 5.5% of Gross Revenue each week.	Payable on Monday of each week for the prior week. (Note 3)	Gross Revenue includes all revenue generated by your Nail Studio.
General Advertising and Marketing Fund Contributions	2.0% of your Gross Revenue each week; <i>however</i> , we will not collect this fee in your first 6 months of operation.	Payable on Monday of each week for the prior week.	(See ITEM 11 ITEM 11 ITEM 11)
Ongoing Purchases of Nail Care Products	Will vary under the circumstances	Before shipment.	All products you will use in your Nail Studio must meet our standards.
Technology Fee (Note 4)	Currently, \$299 per month	Payable monthly on the first business day of each month.	You pay this fee to us. We pay much of it to the studio management software provider that will license this software to you. The fee also covers email hosting, website maintenance, and other technology maintenance and upgrades.
Annual Conference Fee (Note 5)	Currently, \$200 annually based on early registration	120 days before our Annual Conference	You only pay this fee once a year, for one studio, regardless of how many studios you open. Payment of this fee covers registration for the person holding a controlling interest in your studio to attend our Annual Conference.
Renewal Fee	\$3,000, reduced to \$2,500 if we receive the fee and all your signed renewal documents at least 30 days before your franchise expires.	At least 15 days before the term of your Franchise Agreement expires.	You only pay this fee if you want to renew your franchise.
Transfer Fee	\$10,000 or \$5,000 (Note 6)	Before you transfer the franchise.	You only pay this fee if you sell your franchise or your interest in it.
Relocation Fee	\$1,000, plus our expenses	When you submit a request to move your Nail Studio.	You only pay this fee if you want to relocate your studio. If we do not approve your request, we will refund the fee.

TYPE OF FEE	AMOUNT (NOTE 1)	DUE DATE	REMARKS
Audit	Cost of audit	30 days after billing	Payable only if audit shows an understatement of at least 2% of Gross Revenue for any month.
Inspection Fee	A one-time fee of \$900.00 for the initial inspection, plus up to \$500 per failed inspection.	Immediately after notice from us.	We will inspect your studio before opening and we will have someone conduct an inspection of your studio on a periodic basis, no more than annually. If you fail the inspection based on our criteria, we will re-inspect within 120 days and you will be required to pay this fee to cover our costs of re-inspection. If you pass the inspection, you will not incur this cost.
Additional Assistance (See Note 7)	Currently, \$500 per day	Immediately after notice from us.	
Default Fee	Up to \$1,000 per violation.	Immediately after notice from us.	If you breach certain provisions of your Franchise Agreement, we can submit the default to a "Peer Compliance Committee" made up of other franchisees. If they determine a breach occurred, they may levy a fine against you of up to \$500. If you do not timely cure, or breach the provisions again, the next fine can be up to \$1,000 and can continue to increase thereafter.
Insurance Handling Fees	Currently \$100	Immediately after notice from us.	You only pay this fee to us if you fail to obtain or maintain insurance, and we obtain the insurance coverage for you. This fee does not include the cost of insurance premiums, for which you must also reimburse us.
Indemnification	Will vary under the circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising from your Nail Studio. <u>(Note 8)</u> .
Liquidated Damages	\$10,000	If you fail to develop a Nail Studio by the deadline provided in an Area Development Agreement that you sign.	This fee only applies if you sign an Area Development Agreement, and it then applies for each Nail Studio you fail to develop under that agreement.
Cost of Enforcement or Defense	All costs including actual accounting and reasonable attorneys' fees incurred, will vary under the circumstances.	Immediately after notice from us.	You only pay this amount if we prevail in any legal action we bring against you or successfully defend any claim you bring against us.
Interest	Lesser of 1.5% per month or highest rate of interest allowed by applicable law.	As incurred	Payable on all overdue amounts.

TYPE OF FEE	AMOUNT (NOTE 1)	DUE DATE	REMARKS
Late Report Fee	\$100 per violation	As incurred	Payable only if a required report or financial statement is not delivered when due.
Insufficient Funds Fee	\$100 per check that you submit to us that is returned for insufficient funds, and \$100 each time that we are unable to collect via EFT due to insufficient funds.	As incurred	
Re-Invention Program	\$0.25 per square foot per month.	Each month after you begin operating.	These are funds that we recommend you set aside to remodel your Nail Studio if you renew. However, we have the right to require you to pay these amounts to us to hold for you. (Note 98)

Except as otherwise stated, all fees paid to us are non-refundable under any circumstances, and are uniform for all new franchisees. We require you to pay fees and other amounts due to us via electronic funds transfer or other similar means. You must comply with our procedures and perform all acts and deliver and sign all documents, including authorization (in the form attached as **Exhibit E** to the Franchise Agreement or other form that we may require) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure, you authorize us to initiate debit entries and credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing. You will make the funds available to us for withdrawal by electronic transfer no later than the payment due date. If you have not timely reported the Gross Revenue for your Nail Studio to us for any reporting period, then we will be authorized, at our option, to debit your account for (a) 110% of the fees transferred from your account for the last reporting period for which a report of the Gross Revenue was provided to us; or (b) the amount due based on information retrieved from any approved Operating System.

Notes:

- (1) If your state—or any governmental body in your state—charges a tax on any fee you owe to us, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or Colorado income taxes we have to pay.
- (2) The Minimum Royalty will not begin until the earlier of: the first full week of the month after you open your Nail Studio; or the date that is 12 months from the date you signed your Franchise Agreement.
- (3) If Monday is a banking holiday, the payment will be due on Tuesday.
- (4) This fee is paid for support of your studio management software and its updates. The Technology Fee also supports email hosting, website maintenance, and other System-wide technology maintenance, improvements, and upgrades. We anticipate additional website improvements in the coming 12 to 18 months that will integrate a dashboard or portal for franchisees' ongoing education, training, and support. This fee does not include support for any other third-party software, such as malicious software protection.

- (5) The person holding a controlling interest in your business, who we will refer to throughout this Disclosure Document as the “Principal Owner,” is required to attend our Annual Conference each year. This fee will cover the cost of that registration. The Principal Owner must register for the Annual Conference at least 120 days before it begins, or you will forfeit this fee. If the Principal Owner cannot attend the Annual Conference, we will consider, at our discretion, allowing you to transfer the registration to your Principal Operator, but not to any other person. If you want to send additional people to the Annual Conference, you will pay an additional registration fee for each one.
- (6) If you transfer the franchise before you open the Nail Studio, the fee will be \$10,000. If you transfer the franchise after you open, the transfer fee is \$5,000.
- (7) If you require or request additional on-site assistance beyond what we provide, you can request that we send a representative to provide further assistance to you. If we agree to provide this additional assistance, we must agree in advance to the charges you will pay and the length of the visit. We may also require you to receive additional assistance if you are not meeting our requirements, if we determine, in our sole discretion, additional pre-opening or post-opening assistance is required, or if we determine that it is necessary for us to provide additional assistance to you to keep the System competitive. Our current rate for additional assistance is \$500 per day, per representative, plus the cost of travel, lodging, and meals, but we reserve the right to adjust that rate periodically in our Operations Manual.
- ~~(8)~~ You and your principals agree to indemnify, defend and hold us, our affiliates and their respective shareholders, directors, officers, employees, agents, successors, and assignees (“Indemnitees”) harmless against and to reimburse them for all claims, obligations, liabilities, and damages (“Claims”), including any and all taxes, directly or indirectly arising out of, in whole or in part: (a) the operation of your Nail Studio, including the use, condition, construction and build-out, equipping, decorating, maintenance, or operation of the Nail Studio premises, the sale of any products and services, and your advertising; (b) the use of the Proprietary Marks and other Proprietary Material; (c) Franchise Agreement and/or any Area Development Agreement, or your Nail Studio(s) in any manner inconsistent with those Agreements or any other agreement you sign with us; (d) the infringement, alleged infringement, or any other violation or alleged violation by you or any of your principals of any patent, mark, or copyright or other proprietary right owned or controlled by third parties; or (e) libel, slander, or any other form of defamation of us, the System, or any franchisee or developer operating under the System, by you or by any of your principals.— For purposes of this indemnification, “Claims” will mean and include all obligations, actual, consequential, punitive, and other damages, and costs reasonably incurred in the defense of any action, including attorneys’, attorney assistants’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through you to us. We shall have the right to defend any such claim against it in such manner, as we deem appropriate or desirable in our sole discretion. Such an undertaking by us will, in no manner or form, diminish you and each of your principals’ obligations to indemnify the Indemnitees and to hold them harmless. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.
- ~~(8)~~(9) You are required to upgrade, renovate, and re-equip your Nail Studio if you exercise your right to renew your Franchise. These amounts should give you the majority of the funds you will need to do the necessary remodeling of your Nail Studio. The actual costs you incur will vary, depending on the condition of your Nail Studio, construction and other costs in your market, and our requirements at that time.

For more information as to your initial investment, see ~~ITEM 7~~~~ITEM 7~~~~ITEM 7~~.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

TYPE OF EXPENDITURE (NOTE 1)	LOW AMOUNT	HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 2)	\$129 <u>\$15,500</u>	\$47 <u>\$49,500</u>	Lump sum	Upon signing the Franchise Agreement	Us
Travel and Living Expenses While Training (Note 3)	\$1,000	\$2,000	As incurred	As incurred during training	Airlines, hotels, restaurants
Rent (3 months) and Security Deposit	\$9 <u>\$8,000</u>	\$13,500	Monthly	Signing Lease and thereafter	Landlord
Leasehold Improvements (Note 4)	\$50,000	\$450 <u>\$135,000</u>	Before opening	Varied times	Building contractor
Architect/Design Fees (Note 5)	\$4,500	\$10,000	At time of design	As specified in contract	Architect
Furniture (Note 6)	\$850	\$3,000	As agreed	Varied times	Vendors
Fixtures and Equipment (Note 7)	\$2,500	\$24,000	As agreed	Varied times	Vendors
Office Supplies (Note 8)	\$2,800	\$3,000	As agreed	Varied times	Vendors
Initial Technology Expenses (Note 9)	\$3,000	\$5,000	Lump Sum	Before opening	Vendors
Signage (Note 10)	\$5,000	\$10,000	Before opening	As agreed	Vendors
Initial Inventory (Note 11)	\$6,000	\$7,000	Before opening and as needed	At delivery	Vendors
Grand Opening Advertising (Note 12)	\$10,000	\$15,000	As agreed	Varied times	Third parties
Insurance	\$2,230,000 <u>\$800</u>	<u>\$1,100</u>	As agreed	Before opening	Third parties
Miscellaneous Expenses (Note 13)	\$3,000	\$5,300	As agreed	As incurred	Vendors
Additional Funds and Working Capital for First 3 Months (Note 14)	\$28,500	\$55,000	As incurred	As incurred	Vendors or third parties
TOTAL (Note 15)	\$157,843,350 <u>45,450</u>	\$349,178,000 <u>\$338,400</u>			

Notes:

- (1) The high and low ranges in the table are based on an average Nail Studio. We recommend that studios have ~~4-6~~16 nail care stations—including manicure ~~bars~~ and pedicure stations—~~after 1 year of operation. Most studios will open with 2-4 nail care stations ready for use. Our estimates assume you will build out your studio space for 4-6 stations, but that you will initially order equipment, furniture, and supplies for two (in our low estimate) to four (in our high estimate) stations.~~ These fees are non-refundable unless otherwise noted.
- (2) The Initial Franchise Fee is generally \$~~49~~47,500. However, we discount the fee in certain specific circumstances. Some of these discounts are tied to you signing an Area Development Agreement and committing to open two or more Nail Studios. All of these discounts are described in ~~ITEM 5~~ITEM 5~~ITEM 5~~.
- (3) The Principal Operator of your studio must attend mandatory training at one of our corporate regional training centers as designated by us (currently located in Littleton, Colorado), or at another place we designate. In addition, if your Principal Operator is not also the person that will own a controlling interest in your Nail Studio, then the person holding the controlling interest must also attend and complete this training to our satisfaction before you open your Nail Studio. While we do not charge for this training, you must pay for airfare, meals, transportation costs, salaries, benefits, lodging, and incidental expenses for all Initial Training Program and Initial Training Program attendees. The estimates are the estimated costs for two people to attend the Initial Training Program for five days.
- (4) Our estimate for initial expenses for real estate and improvements assumes you will lease space for your Nail Studio. Nail Studios are generally located in commercial retail areas. The typical size of a Nail Studio ranges between 1,2~~3~~00 to 1,5~~7~~00 square feet. Our estimates are based on these assumptions. Rent for these locations will be location specific, but will typically vary from \$25-20 to \$35 per square foot per year, not including common area maintenance charges (“CAM”) or tax expenses.— Your rent may be higher if you locate in an depending on a number of factors, including but not limited to, the community and location of your Nail Studio, the condition of building, visibility to traffic, and other factors upper end mall. Your landlord may provide “tenant improvement” credits that you can use to offset some of the costs of the leasehold improvements.

Generally, your landlord will require that you pay the first and the last month's rent, plus a security deposit, at the time you sign the lease. The amount of your leasehold improvements will likely vary substantially based on existing conditions, size, and design, as well as the availability and prices of labor and materials. The amounts do not include the costs of any necessary site development or site engineering work, nor do they include capitalized costs of rent or other occupancy costs, over either the life of the lease or the life of your investment. In addition, these amounts do not reflect costs for the purchase of unimproved land and construction of a free-standing Nail Studio, which also would result in a significantly greater initial investment. You should carefully investigate all of these costs in the area where you wish to establish your Nail Studio. In addition, we assumed the general contractor will include permitting fees in the construction costs.

- (5) We will provide you with a prototype set of construction drawings of our standard layout for a Nail Studio. We will also work with you to develop a basic design for your Nail Studio. You will need to provide us with detailed as-built drawings and existing condition information to facilitate the design of the space for your location. You will then need to contract with

licensed and qualified design professionals to create a complete set of detailed construction drawings for your location, including, but not limited to, architectural, mechanical, plumbing, and electrical. The low estimate assumes standard tenant improvements and excludes items such as structural construction, site surveys, site plans, energy studies, exterior improvements, or building elevations. The high estimate assumes that structural changes will need to be made to your location, and that you will need to hire an architect to prepare plans for your location and to create construction drawings that will be used by your local contractor to secure construction permits and to build your location.

- (6) This estimate will vary depending on whether you lease or purchase your furnishings. This includes the reception desk and the furniture for your nail care stations, lobby area, and common areas, including a fabricated retail display.
- (7) This estimate will vary depending on whether you lease or purchase your fixtures and equipment. The estimate includes equipment for four nail care stations, eight pedicure stations, and the employee break room.
- (8) Before beginning operations, you must purchase an assortment of office equipment and supplies as described in the Operations Manual, including paper, pens, folders, and supply cabinets.
- (9) This estimate assumes you purchase 2 computers, a sound system, and a security system.
- (10) This estimate assumes you purchase your signage. The total cost for the signage varies depending on the size of the signs, quantity, whether the signs are illuminated, and the requirements of the landlord and governing authority.
- (11) Your initial inventory of nail care supplies and retail products will include disposable implements, gloves, linens, and other supplies and products as described in the Operations Manual. We have the right to change the inventory requirements at any time.
- (12) This will cover additional marketing materials, including branded promotional products, printed materials, large format indoor or outdoor signage for tradeshow, and similar items, which you may purchase through us. The high estimate also covers a modest amount of initial media purchases.
- (13) This amount includes utility costs, licensing fees, criminal background checks on all your initial employees, and professional expenses such as legal and accounting.
- (14) This amount includes estimated operating expenses you should expect to incur during the first three months of operations, not including any revenue generated by your Nail Studio. These figures do not include any taxes or other permitting or licensing fees that you may pay.
- (15) These figures are estimates only. We have relied on our experience in opening our affiliate's Nail Studio in the Denver, Colorado metropolitan area and our knowledge of our franchisees' experience to compile these estimates. This is only an estimate of your initial investment and is based on our estimate of nationwide costs and market conditions prevailing as of the date of this Disclosure Document. It is possible to significantly exceed costs in any of the areas above. You must bear any deviation or escalation in costs from the estimates that we have provided. You should review these figures carefully with a business advisor and a legal advisor before making any decision to purchase a franchise. Many factors that are unique to your location can make a dramatic difference in the estimates provided. Except as specifically

stated, we do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your creditworthiness, your relationship with local banks, your experience in the nail care industry, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest, or debt service obligations.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All equipment, furnishings, fixtures, signs, software, software support supplies, and products you purchase for use or sale in your Nail Studio must meet our specifications. Those specifications may include minimum standards for delivery, performance, design, appearance, and quality. We will issue the specifications to you before you begin operating and will also issue the specifications to approved suppliers. We may include these specifications in the manual that we provide to you, or we may issue them separately. While we do not have specifications for local advertising you create to promote your studio, we do require that you obtain our prior approval to the use of any advertising materials you prepare, and before establishing or having established any website, web page, social media, or social networking site, profile, or account, relating to or making reference to us, your Nail Studio, or to the FRENCHIES system. We do not provide you any material benefits (such as—among other things—renewal rights or the right to acquire additional franchises) based on your purchases from approved or designated suppliers.

You can expect that the items you purchase to meet our specifications will represent over 70% of the total purchases you will make to begin operations. Once you begin operating, we expect the items you purchase that meet our specifications will represent between 70% and 90% of your total expenses.

If you want to purchase items for your Nail Studio that we have not previously approved, or items that differ from our specifications, you must notify us in writing. If we request, you must submit samples and other information we require for testing or to otherwise determine whether the product, material, or supply meets our specifications and quality standards. Our criteria for supplier approval are not available to franchisees. We do not impose any fee for our consideration.

We may require you to purchase certain furniture, equipment, inventory, supplies, services, and other products used or offered at your studio from vendors we approve, in which case we will provide you with a list of approved suppliers. These will include mandatory vendors (persons from whom you must purchase certain items or services), designated vendors (for items or services that must be purchased from vendors we approve), and preferred vendors (for vendors we have approved, but in categories where we do not require you obtain our approval of the vendor). These suppliers may pay vendor rebates to our company.

We have two outside mandatory vendors. You must obtain your studio management software from our mandatory vendor. The cost of this software is included in the Technology Fee you pay us. You must purchase uniforms from our second mandatory vendor.— Because quality, cleanliness, and appearance are central to our business model, we do not expect to approve any other vendors to sell uniforms.

In addition, we currently have a sole approved vendor to provide architectural and design services. You may use a different vendor to provide you with architectural and design services for your Red's Savoy Store; provided that we approve such vendor prior to the vendor providing any services relating to your Red's Savoy Store and the final design must be approved by us before construction. If you choose to use another architect or design, you must reimburse us for any fees we incur for the review of the design by such other architect or designer.

We also reserve the right in the future to supply you with promotional materials, menus, and other materials utilizing our registered logo at our cost plus a markup for handling. If we exercise that right you would be required to purchase such goods from us or our designated vendor.

When we have a designated vendor (other than a mandatory vendor), if you want to purchase from other vendors the items or services for which that vendor has been designated, you must notify us in writing and obtain our approval. If you seek approval of a new supplier (or if the supplier applies directly to us for approval), we will require you or the supplier pay us a nonrefundable fee of \$250 before we will consider approving their application. This fee is intended to defer our cost of reviewing the supplier. We may also require the supplier to sign a supplier agreement with us.

We may also negotiate preferred vendor contracts with vendors. The preferred vendor contracts will usually provide favorable pricing to our franchisees. A list of current preferred vendor contracts will be available to you from us at any time after you sign your Franchise Agreement.

In reviewing prospective suppliers, we consider whether the product or service is consistent with our concept and brand; how they or their products or services would enhance our brand and make it more attractive to customers or franchisees; how the product or service would improve the studio experience of a customer; how the product or service would increase revenue of a franchisee's business; how the product or service would increase the efficiency of a franchisee; whether, if the product or service is already available through other sources, approval of another vendor would enhance competition or dilute our ability to maximize pricing benefits for our franchisees; whether the product is of a commercial quality with a proven record of durability; whether the supplier supports our values; and other factors. In addition, we consider demand from franchisees, the need for the vendor based on business trends, and the ability of the vendor to serve franchisees throughout the United States. We will generally notify you and the supplier of our approval or disapproval within 45-60 days of our receipt of all the information and samples we request. If we revoke approval of any supplier or any item offered by a supplier, we will send you written notice of our revocation of an approved supplier or item.

In the future, we may derive revenue from your purchases or leases of goods, services, supplies, fixtures, equipment, inventory, and products from our mandatory, designated, or preferred suppliers. These rebates will generally range from 5% to 20% of the purchases you make from the vendor. There are also some vendors that may pay us fixed rebates on supplies and services. There are no caps or limitations on the maximum amount of rebates we may receive from our suppliers as the result of franchisee purchases. As noted above, we only began offering franchises for the operation of Nail Studios on April 7, 2015. We received \$0 in revenue from the sale of goods or services to our franchisees in 2015 or since our inception until the date of this Disclosure Document.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We have a purchase arrangement with Spinster Sisters Inc. allowing Franchisees to purchase personal care products at a discounted price. Examples of personal care products are sugar scrubs, body lotions, or salt soaps.

We also have a supplier arrangement with First Choice Uniforms and Promotional Products, Inc. to provide all Franchisees' uniforms.

-We may negotiate other purchase arrangements in the future with suppliers and distributors of approved products for the benefit of our franchisees and we reserve the right to receive rebates on volume discounts from our purchase of products that we may re-sell 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 and distributors.

None of our officers own any interest in any of our ~~other~~ suppliers.

You must purchase or lease a retail space for your Nail Studio that meets our standards and specifications for a Nail Studio. We must approve your location; we have the right to review, evaluate, and approve your proposed lease before execution. We may condition our approval of any proposed lease on, among other things, the execution of a Collateral Assignment of Lease where your landlord grants us the right to assume your rights and obligations under the lease in the event that you breach your lease agreement or your Franchise Agreement is terminated or expires. We may require you to deliver executed copies of the lease and the Collateral Assignment of Lease to us within 5 days of receiving a request from us.

You must obtain and maintain in force (and pay the premiums for) general liability insurance with complete operations coverage, broad form contractual liability coverage, property damage, and other insurance as we require from time to time. The carriers may be required to have minimum ratings that we require from time to time. The policies will expressly protect both you and us. You will be required to furnish a certificate of insurance naming us as an additional insured and providing that the policies will not be canceled, amended, or modified without giving us 30-days' notice. If you fail to obtain or maintain the required insurance, we may (but are not required to) obtain insurance on your behalf, require prompt reimbursement for the premiums, and charge you an administrative fee.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Section 7 and 8.A	Not Applicable	ITEM 7 ITEM 7 ITEM 7 and ITEM 11 ITEM 11 ITEM 11
b. Pre-opening purchases/leases	Sections 7.A, 9.A, and 9.S	Not Applicable	ITEM 5 ITEM 5 ITEM 5 , ITEM 6 ITEM 6 ITEM 6 , and ITEM 8 ITEM 8 ITEM 8
c. Site development and other pre-opening requirements	Sections 7.A, 8.A, 8.B, and 9.A	Not Applicable	ITEM 7 ITEM 7 ITEM 7 and ITEM 11 ITEM 11 ITEM 11
d. Initial and ongoing training	Sections 8 and 9.M	Not Applicable	ITEM 11 ITEM 11 ITEM 11
e. Opening	Sections 1.A, 6.A, 7.B, and 9.A	Sections 3.A and 3.B	ITEM 7 ITEM 7 ITEM 7 , ITEM 11 ITEM 11 ITEM 11 , and ITEM 12 ITEM 12 ITEM 12

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
f. Fees	Sections 1.A, 2.B.4, 4, 5, 6.A, 7.C, 8.E, 9.F, 9.I.2, 9.R, 9.T, 11.A, 11.B, 12.A, 13.B.9, 16.D, 16.G, 18.A, 18.C.2, 20.A, and Rider	Sections 2, 6.B, and Rider	ITEM 5 ITEM 5 ITEM 5 and ITEM 6 ITEM 6 ITEM 6
g. Compliance with standards and policies/operating manual	Sections 1.A, 2, 3, 6, 7, 8.B, 8.H, 9, 14.B, and 18.D	Not Applicable	ITEM 5 ITEM 5 ITEM 5 , ITEM 8 ITEM 8 ITEM 8 , ITEM 11 ITEM 11 ITEM 11 , ITEM 14 ITEM 14 ITEM 14 , and ITEM 16 ITEM 16 ITEM 16
h. Trademarks and proprietary information	Sections 1.C, 3, 9, 10, 16, and Rider	Not Applicable	ITEM 13 ITEM 13 ITEM 13 and ITEM 14 ITEM 14 ITEM 14
i. Restrictions on products/services offered	Sections 9.C, 9.G, 9.S, 14.B, and 20.M	Not Applicable	ITEM 8 ITEM 8 ITEM 8 , ITEM 11 ITEM 11 ITEM 11 , and ITEM 16 ITEM 16 ITEM 16
j. Warranty and customer service requirements	Sections 8.I, 9.C, and 9.U	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Sections 1, 3, 5.A, and Rider	ITEM 12 ITEM 12 ITEM 12
l. Ongoing product/service purchases	Sections 9.E, 9.G, 9.H, and 9.S	Not Applicable	ITEM 8 ITEM 8 ITEM 8
m. Maintenance, appearance, and remodeling requirements	Sections 1.A, 2.B, 8.B, 9, 16.F	Not Applicable	ITEM 6 ITEM 6 ITEM 6 and ITEM 11 ITEM 11 ITEM 11
n. Insurance	Section 11.A	Not Applicable	ITEM 6 ITEM 6 ITEM 6 , ITEM 7 ITEM 7 ITEM 7 , and ITEM 11 ITEM 11 ITEM 11

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
o. Advertising	Sections 3.D, 5.B, 6, 9.G, and 10.C	Not Applicable	ITEM 6 ITEM 6 ITEM 6 , ITEM 7 ITEM 7 ITEM 7 , ITEM 8 ITEM 8 ITEM 8 , ITEM 11 ITEM 11 ITEM 11 , ITEM 12 ITEM 12 ITEM 12 , and ITEM 13 ITEM 13 ITEM 13
p. Indemnification	Sections 9.L and 11	Not Applicable	ITEM 6 ITEM 6 ITEM 6 6
q. Owner's participation/management/staffing	Sections 8 and 9.M	Not Applicable	ITEM 6 ITEM 6 ITEM 6 6, ITEM 11 ITEM 11 ITEM 11 ITEM 14 ITEM 14 ITEM 14 , and ITEM 15 ITEM 15 ITEM 15 ITEM 15 ITEM 15 ITEM 15
r. Records and reports	Sections 9.O, 12, and 14.A	Not Applicable	Not Applicable
s. Inspections and audits	Sections 7.C, 8.I, 9.I and 12.A	Not Applicable	ITEM 5 ITEM 5 ITEM 5 5, ITEM 6 ITEM 6 ITEM 6 ITEM 6 ITEM 6 ITEM 6 , and ITEM 11 ITEM 11 ITEM 11 ITEM 11 ITEM 11 ITEM 11
t. Transfer	Section 13	Section 7	ITEM 6 ITEM 6 ITEM 6 6 and ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17
u. Renewal	Section 2.B	Not Applicable	ITEM 6 ITEM 6 ITEM 6 6 and ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17
v. Post-termination obligations	Sections 9.O, 16, 17.B, and 18.A	Section 6	ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17
w. Non-competition covenants	Sections 9.M, 10, 16.I, 17, and 18	Section 8	ITEM 15 ITEM 15 ITEM 15 ITEM 15 ITEM 15 ITEM 15 and ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17
x. Dispute resolution	Sections 9.P and 18	Section 8	ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17 ITEM 17
y. Other: guaranty of franchise obligations (Note 1)	Personal Guaranty (Exhibit A of the Franchise Agreement)	Personal Guaranty (which follows the Area Development Agreement)	ITEM 15 ITEM 15 ITEM 15 ITEM 15 ITEM 15 ITEM 15

Notes:

- (1) Each individual who is an owner of any business entity that is the franchisee, and their spouse, must sign a personal guaranty of all the franchisee's obligations in substantially the form of **Exhibit A**, which is attached to the Franchise Agreement. This Guaranty also includes an agreement to be bound by the confidentiality and non-compete provisions of the Franchise Agreement.

**ITEM 10
FINANCING**

We do not offer direct or indirect financing. We do not guarantee any note, lease, or obligation you might incur. We also do not have any written agreements with any lender to provide financing to you. We have the right to sell, assign, or discount to a third party all or part of any amounts you may owe to us.

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

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

Before you open your Nail Studio, we will:

- (1) Designate your Territory (Franchise Agreement – Section 1.C/Rider).
- (2) Provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your business (Franchise Agreement – Section 8.A).
- (3) Provide you access to our operations manual that contains mandatory and suggested specifications, standards, and procedures. The Operations Manual consists of one or more manuals, technical bulletins, or other written materials and may be modified by us periodically in our discretion. (Franchise Agreement – Sections 8.H and 9.P). The manual currently contains 65 pages. A copy of the table of contents of the manual is attached to this Disclosure Document as **Exhibit D**.
- (4) Provide you with a prototype floor plan, as well as a list of the equipment, displays, fixtures, and furnishings for setting up or remodeling your studio (Franchise Agreement – Section 8.B).
- (5) Provide, at our expense, the Initial Training Program for you, or if you are a legal or business entity, your Principal Owner and one additional person (the Principal Operator) lasting up to five days in Littleton, Colorado or another location we designate (Franchise Agreement - Section 8.C). You are expected to attend this training program at least 60 days before you open your Nail Studio. If you purchase an existing Nail Studio or convert an existing business to a Nail Studio, you are required to attend training within 30 days after you sign the Franchise Agreement. You will be responsible for all travel expenses for all participants attending the Initial Training Program, including airfare, lodging, meals, ground transportation, and personal expenses.

During the term of the Franchise Agreement, we will:

- (1) Make a representative reasonably available to speak with you on the telephone or through an electronic “chat” program during normal business hours to discuss your operational issues and support needs. (Franchise Agreement – Section 8.J).

- (2) Periodically after you open your Nail Studio (but not more than once a year), visit your Nail Studio to ensure compliance with our required standards, specifications, and procedures (Franchise Agreement – Section 9.I).
- (3) Arrange a mystery shopping service, in our sole discretion, to shop your Nail Studio periodically during the term of your Franchise Agreement, and provide the results to you (Franchise Agreement – Section 8.I).
- (4) Establish and maintain an internet website or home page for you, provide a link from our home page to your web page, and provide templates to you for your web page (Franchise Agreement – Section 9.G).
- (5) Make available additional training that we feel is necessary to familiarize you and your management team on changes and updates in the franchise system (Franchise Agreement – Sections 8.D, E, and F).
- (6) Maintain and administer the General Advertising and Marketing Fund (Franchise Agreement – Section 5.B).

Training

Initial Management Training Program

Before the opening of your Nail Studio, we provide a ~~five-day~~ two week initial training program (“**Initial Management Training Program**”). The first week of the Initial Management Training Program will be conducted at a location we designate. It currently takes place Littleton, Colorado. The initial training program may be held elsewhere in the future at our discretion. ~~The second week of the Initial Management Training Program will be conducted at your Nail Studio or such other location we designate.~~ The training is held approximately quarterly as needed. There is no charge to you for this training, but you are responsible for all travel and living expenses that you and your employees incur in attending the training. The person you designate as your Principal Operator, and someone owning more than a 10% interest in your business (if not the Principal Operator), must attend and complete this training program to our satisfaction at least one (1) week before opening.

The following represents a summary of our Initial Management Training Program as of the date of this Disclosure Document:

INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Introduction to FRENCHIES™	2	0	Internet/Littleton, CO
Operations/Employee Experience	16	0	Littleton, CO
Performance Measurement/Scoreboards	4	0	Internet/Littleton, CO
Information Technology/POS	8	0	Internet/Littleton, CO
Financial/Accounting	4	0	Internet/Littleton, CO
Procurement (Vendors/Suppliers)	2	0	Internet/Littleton, CO
Sales/Marketing	4	0	Internet/Littleton, CO
<u>Hands-On Operations Training</u>	<u>0</u>	<u>30-40</u>	<u>In Center</u>
Total Training Time	40	<u>030-40</u>	

The Initial Management Training Program will be led by ~~Brandi Phillips~~ Kayla Bramlet and/or Autumn Munter. ~~Brandi is~~ Kayla and Autumn are a licensed manicurist and manicurist instructor in Colorado. She also holds multiple certifications including reflexology, blood-borne pathogens, and CND Shellac. She has previously opened and managed her own day spa and has worked as the ~~manager for the~~ For the last 3 years Autumn has worked in the ~~manager for the~~ nail studio in Littleton, Colorado operated by our affiliate, Frenchies Revolution, since its opening in February 2014 and is presently the Studio Manager. – Kayla has also worked in the nail studio in Littleton, Colorado for the last 3 years and is presently the Guest Experience Manager.

Other members of our training staff at our Designated Training Center may conduct training as necessary, and we may delegate our duties and share our training responsibilities.

The Operations Manual serves as our primary instructional material during the Initial Management Training Program.

If you have more than one Franchise Agreement with us, we may, at our option, provide this training one time for multiple agreements. While all of the Initial Management Training Program will be classroom training, you will have an option to receive additional training by working in one of our studios for up to two days.

If you require or request additional on-site assistance beyond what is provided by us, you can request that we send a representative to provide further assistance to you. If we provide additional assistance at your request, we must agree in advance to the charges you will pay and the length of the visit. The cost of additional assistance will depend on your needs and the amount of assistance you desire. We may also require you to receive additional assistance if you are not meeting our requirements, if we determine, in our sole discretion, additional pre-opening or post-opening assistance is required, or if we determine that it is necessary for us to provide additional assistance to you to keep the System competitive. This additional assistance will be at your expense as described above. Our current published rate for additional assistance is \$500 per day, per representative, plus the cost of travel, lodging, and meals, but we reserve the right to adjust that rate periodically in our Operations Manual.

Annual Conference

We may hold an annual conference to discuss sales techniques, new services and products, training techniques, bookkeeping, accounting, performance standards, advertising programs, merchandising procedures, nail technician training, and other topics. You must pay the conference fee, if any (currently \$200, based on early registration), and all travel and living expenses to attend. We require the Principal Owner to attend these annual conferences. The conferences will be held at various locations that we will designate. (Franchise Agreement - Section 8.E).

Advertising Programs

General Advertising and Marketing Fund

Under the Franchise Agreement, each franchisee must contribute amounts to the FRENCHIES General Advertising and Marketing Fund (the “**General Advertising and Marketing Fund**”) equal to 2.0% of weekly Gross Revenue. You must contribute to this fund at the same time that you pay your Royalty Fee, based on the amount of Gross Revenue you generated in the previous reporting period. However, we will waive the requirement that you contribute these funds during the first six months you operate your Nail Studio. We require all our franchisees to contribute to this fund (subject to the same waiver), and our company-owned studios must contribute to the General Advertising and Marketing Fund at the same percentage rate as franchisees.

We account for the contributions to this fund separately from our other revenues, and we do not use them to pay any of our general operating expenses other than our costs of administering the fund, including salaries and overhead in administering the fund. The purpose of the fund is to develop marketing and advertising programs that benefit the FRENCHIES brand. This means we may use monies in the fund for any purpose that promotes the FRENCHIES name, including the creation, production, and placement of commercial advertising; agency costs and commissions; creation and production of video, audio, and written advertisements; administering multi-regional advertising programs, direct mail, and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising and marketing activities, including participating at trade shows. Advertising may be placed in local, regional, or national media of our choice, including print, direct mail, electronic and online advertising, radio, or television. We do not guarantee that advertising expenditures from the General Advertising and Marketing Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all.

We work with national, regional, and local agencies. It is our responsibility to determine how these monies are spent. We are not required to use monies in this fund to benefit any individual market, or on a pro rata or other basis. However, we will not spend any portion of these monies for advertising principally designed to solicit the sale of franchises. We did not collect any fees in the General Advertising and Marketing Fund during the last fiscal year, and accordingly, had no expenditures in that period.

We may reimburse ourselves or our authorized representatives from the General Advertising and Marketing Fund administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the General Advertising and Marketing Fund. Any unused funds in any calendar year will be applied to the following year's funds. Any interest the Fund earns will be used for advertising before we use any principal. At your request, we will make available to you an annual accounting for the General Advertising and Marketing Fund that shows how the fund proceeds were spent for the previous year, but these statements will not be audited.

It is our intention to solicit input on the development of advertising from franchisees who must contribute to the fund on the development of the advertising. However, this input will be advisory only, and we will have the right to make all final decisions about how these monies are spent.

Local Marketing Fund

You are responsible to conduct your own local marketing of your Nail Studio. We do not, however, impose any minimum obligations on you for that marketing. There are currently no regional or local marketing programs in existence for the System. However, we reserve the right, in our discretion, to designate any geographical area for the purposes of establishing a regional advertising and promotional program and require you to contribute to a Local Marketing Fund in an amount equal to 1.5% of the Gross Revenues of your Nail Studio. We also will provide the assistance of local, regional, and national agencies that we work with to assist the local advertising programs in making and implementing marketing plans for these funds. For each fund we establish, we expect all franchisees in the market to contribute to the fund. Our company-owned studios will contribute in the same manner. We will, upon request, provide an annual financial report as to revenues and expenditures of the fund to all franchisees contributing to the fund, however, these statements will not be audited. We will account for each market's contributions separately, and spend the contributions in the market from which they are contributed. For each of these funds, our intention is to solicit input on the development of the advertising from franchisees who must contribute to the fund on the development of the advertising. However, this input will be advisory only, and we will have the right to make all final decisions about how these monies are spent. We have no obligation to conduct any advertising on your behalf.

Grand Opening Advertising

Before your Nail Studio opens, you will be expected to advertising its opening.— We generally recommend that you begin advertising 60 days before your opening.— As reflected in Item 7, you should expect to spend between \$10,000 and \$15,000 on grand opening advertising and we require that you spend at least the minimum of \$10,000.

Marketing Resources, Pre-Approvals For Marketing Materials

You must order sales and marketing materials from our approved suppliers and according to our standards and specifications. If you plan to use your own advertising materials for any marketing activity, you must obtain our prior approval, which may be granted or denied in our sole discretion. Use of logos, Marks, and other name identification materials must be consistent with our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval. You must also obtain our approval before establishing, or having established, any websites, profiles, or accounts relating to us, your Nail Studio, or to the FRENCHIES system. You are ultimately responsible for ensuring that your advertising complies with all applicable laws before using it.

Site Selection and Opening

We, or a third-party vendor we designate,— will provide you with consulting services to assist you in evaluating and selecting a site for your Nail Studio. It is your obligation to select a site for your studio and obtain our approval of that site. While we will assist you, we do not locate or select a site for you, or negotiate the purchase or lease of a site, and we do not own the premises and lease them to you. Before you acquire any site, you must submit to us information and materials we require and obtain our approval of your site. The lease you ultimately sign must include a Collateral Assignment of Lease in substantially the form of **Exhibit C** to the Franchise Agreement. The factors we take into account in approving a site are the visibility of the site, the retail “feel” of the site, the location of competitors, whether the site is easily accessible, and similar factors. A Nail Studio should have at least 1,200 square feet, ~~but and we recommend having 1,300 no larger than to 1,700-500 square feet, with a minimum of~~ and we recommend your build out provide for 82 manicure bars stations and up to 68 pedicure stations. We will generally tell you within 30 days whether or not we approve your proposed site. As described below, if you and we do not ultimately agree on a site, and you do not open your Nail Studio within 12 months from the date the Franchise Agreement becomes effective, we have the right to terminate the Franchise Agreement.

You may not open your Nail Studio until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) initial training is completed to our satisfaction; (3) all amounts due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; (5) you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; (6) you have received all required permits and licenses; and (7) you have ordered, received, and installed your equipment, supplies, inventory, and computer system. You must be prepared to begin operating your Nail Studio immediately after we state that your Nail Studio is ready for opening.

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Nail Studio will be six to nine months. Some factors that may affect this timing are your ability to acquire a Nail Studio through lease or purchase negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment, tools, and inventory; and the time to convert, renovate, or build the facility. You must open your Nail Studio on or before the Projected Opening Date on the Rider to the Franchise Agreement, but in no event more than 18 months from the date the Franchise Agreement becomes effective. Your failure to open your Nail Studio on or before the Projected Opening Date will constitute a default of your Franchise Agreement and allow us to terminate your Franchise Agreement.

Software and Computer Equipment

Computer Hardware

You must purchase and use computer hardware and software that we periodically designate for the operation of your Nail Studio. Currently, you must purchase at least two computers to operate your business. At least one computer must be used in the front reception area, and at least one must be available in the staff break room. Other than meeting our minimum requirements to ensure they are capable of integrating with our designated software, we do not specify the computers you purchase. The computers will not only assist you in operating your business, but the computer in your reception area will be integrated with our studio management software, our accounting system, and ~~our~~ we also recommend a security system for recording activities at your studio. You will also use your computer to order your marketing materials and other supplies from us and our approved vendors. The cost of your computer will vary based on the brand and model you choose. We estimate the cost of each of these two computers to be approximately \$750.00 (or a total of \$1,500.00), depending on the brand and model you choose.

We do not have any obligation to upgrade or maintain the hardware you purchase or the software that comes with that computer and we cannot predict the costs of upgrades or maintenance. You will also need to purchase a receipt printer, credit card reader, barcode scanner, cash drawer, and a multifunction copier/printer/fax/scanner. We may provide you with detailed specifications and policies for these components. This equipment typically has a manufacturer's warranty of 12 months on parts and labor from the date of installation on core hardware components only (excluding software). We do not offer any separate warranty.

Computer Software

Much of the software that you will use for your computer is standard software, not include the studio management software discussed below, that you will order with your computer, including the desktop version of QuickBooks Pro, which we estimate will cost approximately \$300 depending on the version and features you choose. However, we do prescribe certain software you must use in your business including the Studio management software from our mandatory vender, which is covered by the Technology Fee that you pay to us.

We will arrange for you to obtain a license to use studio management software for use in your studio and other software programs specified in our operating manual. The cost for this software is included in the \$299 per month Technology Fee you pay to us. This software is a proprietary product that has been approved for our system and we have not approved any compatible equivalent software. We and the software vendor will provide the continuing monthly support you need to operate this studio management software. We also intend to provide software updates at no cost to you as part of the Technology Fee, but we are not obligated to do so, and whether we do so or not is likely to depend on the extent of any upgrades. We do not provide support for any other third-party software.

As part of the Technology Fee you pay to us, we will also provide website hosting and provide to you Microsoft Exchange Email hosting and support (including up to five @frenchiesnails.com email addresses, antivirus support, and auto-push emails to mobile phones). ~~We are in the process of planning and building~~ exploring out an possible upgrades to the System's website that will that will integrate a dashboard or portal for to support franchisees' ongoing education, training, and support, and communication. We anticipate these website improvements in the coming 12 to 18 months.

Ongoing Maintenance and Use

We are not obligated to provide you with ongoing maintenance, repairs, upgrades, or updates to your computer system. We anticipate that you will be required to upgrade or update the computer system during the term of the franchise, and there are no contractual limitations on the frequency and cost of the obligation. Other than as described above, we do not have any contractual obligation to upgrade or update any of your hardware or software during the term of this franchise.

You must have sufficient computer skills to be able to operate your computer system and to access email and the internet. You must have access to the internet and maintain an email account that allows us to communicate with you on a regular basis. You will use your computer for appointment scheduling, customer management, point-of-sale transactions, employee management and education, e-Commerce, inventory management, business and payroll reporting, marketing, and social media integration. Our software will also give you access to our online Franchisee Support Center, ongoing product development, and online education.

We have the right to independently access your electronic information and data through our proprietary data management and intranet system, and to collect and use your electronic information and data in any manner we choose to promote the development of the System and the sale of franchises. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems. We strongly recommend that your computer system be used for business purposes only, and not for entertainment, personal social networking site access, or other matters unrelated to your business.

ITEM 12 TERRITORY

When you sign a Franchise Agreement, you will receive the right to operate one Nail Studio. You will not receive any other options, rights of first refusal, or similar rights to acquire additional franchises. If the site for your studio has been identified before you sign the Franchise Agreement, then you must operate the studio at that site. If the site becomes unavailable to you for any reason, it is your obligation to select a new location, and to obtain our approval of that location before you acquire the site, and before you obtain any rights in the location. If a site has not been identified, we will designate an area, and you may locate your Nail Studio at any place within that area, so long as the site you select is not also within a territory of another Nail Studio. Thus, until a site has been identified, you will not have any exclusive rights in the area identified in the Franchise Agreement.

Once we have approved the location for your Nail Studio, we will give you an exclusive, protected territory. (If you sign an Area Development Agreement with us, we will also give you an exclusive, protected territory at the time you sign that agreement.) The limitations on us in that territory are described below.

If you sign an Area Development Agreement, we will describe the territory in the Rider to that agreement. The territory will typically be described as a geographic area in which each of your Nail Studios must be developed. The criteria we use for determining these territories is simply geographic markets in which we believe it may be feasible to develop a FRENCHIES studio. If you are in compliance with the Development Schedule set forth in the Rider, then, until your protected territory rights expire: (i) we will not place or license to anyone else the right to place a FRENCHIES studio in your protected territory; and (ii) we will not operate—nor grant franchises or licenses to others to operate—nail studios under other names in your protected territory unless we do so after we acquire, or merge with, another business that operates or grants franchises to operate nail studios (or businesses that include nail studios), or after we are acquired by such a business, in which case we may do so, provided we do not operate those studios in your territory under the

FRENCHIES name, or license anyone else to use the FRENCHIES name to operate studios in your territory. However, we do have the right to place FRENCHIES studios, or grant others the right to do so, outside your protected territory, including studios operated under the FRENCHIES name, even if they compete for customers with your studio, and even if the territorial boundaries for that franchise overlap with the boundaries for your territory. Your rights in this territory will end at the earlier of: (i) the date your Area Development Agreement expires; (ii) the date you must sign the Franchise Agreement for your last Nail Studio under the terms of the Development Schedule; and (iii) the date when the individual protected territories given to you under a franchise agreement for your final Nail Studio are determined. If the protected territory covers more than one city, county, or designated market area, the protection for each particular city, county or designated market area will also expire on the date when we determine the protected territory to be given to you under a franchise agreement for your final Nail Studio to be developed in that city, county, or designated market area. When your rights in a protected territory have expired under the Area Development Agreement, you will still have the rights granted to you in any portion of these territories under an individual franchise agreement.

When you sign a Franchise Agreement, we will give you a protected territory and describe it in a Rider to that agreement. We may attach a map to your Franchise Agreement that will identify the territory or we may simply describe an area surrounding your location. The map or description may not be a specific radius from your studio, because it will take into account traffic patterns and natural boundaries. However, the territory will range from approximately one-half mile from your studio (in densely populated metropolitan areas) to as much as three miles (in small towns). You may locate your Nail Studio at any place within that territory, so long as the site you select is not also within the territory of another FRENCHIES studio. Protected territories may overlap, but we will not approve anyone opening a FRENCHIES studio, or relocating a FRENCHIES studio, into a protected territory given to another studio. (By way of example, one person may have a FRENCHIES studio in the center of City A, with a territory of two miles in all directions, while another person has a FRENCHIES studio in the center of City B, located three miles away from the site of the first franchisee's FRENCHIES studio, and also with a territory of two miles. While the territories overlap, each franchisee's studio is located outside the protected territory of the other franchisee, and it cannot be relocated within the other franchisee's protected territory). We do not have the right to unilaterally change your territory, and there are no minimum quotas required; as long as your Franchise Agreement is in effect, you will retain the rights described in this paragraph.

The criteria we use for determining the boundaries of the territory in your Franchise Agreement include density of population, growth trends of population, apparent degree of affluence of population, the density of residential and business entities, traffic generators, driving time, and natural boundaries. During the term of your Franchise Agreement, we will not place or license to anyone else the right to place a FRENCHIES studio in your protected territory. We also will not operate—or grant franchises or licenses to others to operate—nail studios under other names in your protected territory unless we do so after we acquire, or merge with, another business that operates or grants franchises to operate nail studios (or businesses that include nail studios), or after we are acquired by such a business, in which case we may do so, provided we do not operate those studios in your territory under the FRENCHIES name, or license anyone else to use the FRENCHIES name to operate studios in your territory. However, we do have the right to place FRENCHIES studios, or grant others the right to do so, outside your protected territory, including studios operated under the FRENCHIES™ name, even if they compete for customers with your studio, and even if the territorial boundaries for that franchise overlap with the boundaries for your territory.

We may also have situations where we designate a “TBD” (to be determined) territory. If you receive a TBD territory, you have the right to look for a site in any area that has not already been given as a protected territory to another FRENCHIES studio. However, if you find a proposed site in near proximity to another FRENCHIES studio, even though not in that studio's protected territory, we may offer the site to the existing franchisee before we agree to assign that area to you or grant you the right to develop your studio at that site.

We do not restrict the customers you may serve, and you generally may solicit customers outside your territory, including through channels of distribution such as the internet, telemarketing, or other direct marketing sales. All of your advertising, including your website, must be approved by us, and you must obtain our written approval before you establish any other website, web page, or social networking or social media site, profile, or account, relating to or making reference to us, your studio, or to the FRENCHIES system. We have the right to sell products and services (like apparel, nail care supplies, and related products) both inside and outside your territory, using the “FRENCHIES” name, or using any other name, through any channel of distribution, including the internet, catalog sales, telemarketing, or other direct marketing, and may do so in your territory without any compensation to you.

ITEM 13 TRADEMARKS

The Franchise Agreement gives you the right to operate a Nail Studio under the trade names, trademarks, and service marks that we establish.

The following marks have been, or are in the process of being, registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”). These are the principal trademarks you will use in operating your Nail Studio:

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
FRENCHIES	4,808,454	September 8, 2015	Principal
FRENCHIES NAIL SALONS	4,261,994	December 18, 2012	Principal

These Marks were originally registered, or applied for, by FRENCHIES REVOLUTION, LLC and later assigned to FRENCHIES, LLC on March 19, 2015. Currently, we know of no: 1.) effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court; 2.) pending infringement, opposition, or cancellation proceedings; or 3.) pending material litigation involving any of our Marks that is relevant to the use of the Marks. No currently effective litigation affects our use or ownership rights in any Mark. All affidavits required to preserve and renew these Marks have been filed. No currently effective agreement limits our right to use or license the use of our Marks. In conjunction with these Marks, we also use the Mark MODERN NAIL CARE. We do not have a separate federal registration for the MODERN NAIL CARE Mark. Therefore, the Mark MODERN NAIL CARE does not have as many legal benefits and rights as a federally-registered trademark, such our federally-registered FRENCHIES Mark and FRENCHIES NAIL SALONS Mark. If your right to use the MODERN NAIL CARE Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use our Marks. You may not use any of the Marks alone or with modifying words, designs, or symbols as part of a corporate or business name or in any form on the internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags or search techniques. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

We will protect and maintain all rights to use our Marks against encroachment, misuse, or unauthorized use and against all challenges to any rights of its use as we deem appropriate. You must notify us immediately when you learn about an infringement of (or challenge to) your use of our Marks. We may take the action necessary, in our sole discretion, to prevent the unauthorized use of our Marks, including bringing actions against third parties regarding the use of any of our Marks, but the Franchise Agreement does not require us

to take any specific affirmative action. We will control any administrative proceedings or litigation involving our Marks. You must cooperate with us and take all actions as may be desirable in the opinion of our counsel to carry out the defense or prosecution. While we are not required to defend you against a claim based on your use of our Marks, we will either do so, or we will reimburse you for your liability as long as you properly use our Marks, including against claims of infringement or unfair competition arising out of your use of the Marks.

We may change our Marks and require you to adopt new Marks as if they were part of the Franchise Agreement at the time of its execution. You must comply with these changes immediately after we notify you that we have discontinued, modified, or changed one or more of our Marks. We will have no liability or obligation because of the discontinuation, modification, or change. You must not directly or indirectly contest the validity of our ownership of the Marks or our right to use or license our Marks, trade secrets, confidential information, or business techniques that are part of our business. You must use the designations of ®, ™, and ™ in advertising and promotions using our Marks.

We do not know of any infringing uses that could materially affect your use of our Marks. We are aware of a nail studio in Nevada that operates under the name “Frenchies,” we are not aware of any other infringing uses that could materially affect your use of our Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or pending patent applications that are material to the purchase of a franchise. We do claim copyright protection for our manuals, and to advertising and promotional materials, forms, and related materials that we produce, but we have not registered these materials with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrighted materials. There are no proceedings pending, nor any currently effective agreements between us and third parties about our copyrighted materials that will or may significantly limit your use of our copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets. This will be included in our manuals, and in materials we may provide to you separately. You may use these materials in the operation of your Nail Studio, in the manner we approve, during the term of your Franchise Agreement. But you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include any trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, or methods of operation. You may disclose this information to your Principal Operator, but only to the extent necessary to operate the studio, and then only while your Franchise Agreement is in effect.

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

We require that you either personally supervise your Nail Studio or designate a person to act as the Principal Operator, in which case we will require you to devote at least 15 hours a week to your Nail Studio; although we reserve the right to waive this requirement in our sole discretion. Your Principal Operator is not required to hold an equity interest in your business. We require that your initial Nail Studio be located within a one (1) hour drive of your primary residence; although we reserve the right to waive this requirement in our sole

discretion. You and the Principal Operator must complete our initial training requirements and all other training we reasonably designate. We also require that you or another Principal Owner of your business (someone that owns more than 10% of your business) attend our Annual Conference each year, even if that person is not personally supervising your Nail Studio.

If you are a legal or business entity, each individual who has any ownership interest in your business, directly or indirectly, must 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. We also require you to obtain a Non-disclosure and Non-competition Agreement from any Studio Manager or Coordinator and each nail technician who works in your Nail Studio in a form we approve. While we will provide a sample form of this agreement to you, it is your obligation to make any modifications required to that form to comply with the law in the state in which your Nail Studio is located.

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

You must refrain from using or permitting the use of your Nail Studio for any other purpose or activity at any time without first obtaining our written consent. You must sell or offer for sale only those services and products that we approve and that meet our standards and specifications. You must follow our policies, procedures, methods, and techniques and comply with all of our mandatory standards and specifications. We have the right to change the services and products that we require you to offer at any time, without limitation. We reserve the right to establish maximum and minimum resale prices for use with multi-area marketing programs and special price promotions.

We do not limit the persons to whom you may offer your products and services.

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

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENTS	SUMMARY
a. Length of the franchise term	Section 2.A – Franchise Agreement Section 3.A and 4 and Rider – Area Development Agreement	The initial term is 6 years. The term in an Area Development Agreement depends on the number of franchises to be developed under the Area Development Agreement. It will typically be between 1 and 4 years.
b. Renewal or extension of the term	Section 2.B – Franchise Agreement Area Development Agreement – Not Applicable	If you are in good standing and you meet our conditions, you can renew your franchise for an additional 6-year period. You cannot renew the Area Development Agreement.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENTS	SUMMARY
c. Requirements for you to renew or extend	Section 2.B – Franchise Agreement Area Development Agreement – Not Applicable	Give written notice; show you are in compliance with all agreements with no series of defaults; update (or move) your location to comply with then-current standards; pay renewal fee; sign new franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); show that you have the right to remain in possession of the location for the renewal term; sign general release; your staff completes any required refreshing training. You do not have the right to renew or extend the Area Development Agreement.
d. Termination by you	Section 15 – Franchise Agreement Sections 4 and 5 – Area Development Agreement	If we materially breach the Franchise Agreement and fail to cure the breach within 30 days after notice, you can terminate the Franchise Agreement by giving us an additional 10 days notice. You do not have the right to terminate the Area Development Agreement.
e. Termination by us without cause	Section 7 – Franchise Agreement Area Development Agreement – Not Applicable	If you and we are unable to agree on a site within 3 months after you sign the Franchise Agreement, we have the right to terminate this Franchise Agreement. Not applicable to Area Development Agreements.
f. Termination by us with cause	Section 14 – Franchise Agreement Section 5 – Area Development Agreement	If you do not open in 9 months (subject to an extension as described in ITEM 5 ITEM 5 ITEM 5) or are in default under the Franchise Agreement or any other agreement you have with us. If you are in default under the Area Development Agreement, or you or any of your affiliates are in default under any Franchise Agreement or other agreement you have with us. The Franchise Agreement and the Area Development Agreement contain cross-default provisions.
g. “Cause” defined – curable defaults	Section 14.B – Franchise Agreement Section 5 – Area Development Agreement	Most defaults are curable and you will have 30 days to cure.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENTS	SUMMARY
h. "Cause" defined – non-curable defaults	<p>Section 14.A – Franchise Agreement</p> <p>Section 5 – Area Development Agreement</p>	<p>You are liquidated or dissolved; fail to construct studio according to plans; fail to operate the business for 7 consecutive days, abandon the business, lose the right to do business, or lose the right of possession of the premises where the studio is located; unapproved transfers; you or any of your owners engage in fraudulent conduct or are convicted of, or plead guilty or no contest to, certain crimes; 3 notices of material breaches within 12 months; you maintain false books or records or submit any false or misleading application, statement or report to us; you misuse our marks or materially impair the value of, or the goodwill associated with, our marks or the franchise system; and other stated non-curable defaults.</p> <p>Similar reasons as for Franchise Agreement, you fail to meet your development obligations in the Development Schedule, or we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions</p>
i. Your obligations on termination/non-renewal	<p>Section 16 – Franchise Agreement</p> <p>Section 6 – Area Development Agreement</p>	<p>Stop operating the studio; stop using our names and marks; return information to us; assign to us or cancel certain registrations, listings, telephone numbers, websites, and domain names; vacate the Nail Studio premises if we exercise our rights under the Collateral Assignment of Lease; and pay all amounts you owe us. You lose all remaining rights to develop Nail Studios. You also pay \$10,000 for each undeveloped franchise as liquidated damages (subject to state law).</p>
j. Assignment of contract by us	<p>Section 13.A – Franchise Agreement</p> <p>Section 7.A – Area Development Agreement</p>	<p>There are no restrictions on our right to assign.</p>
k. "Transfer" by you – defined	<p>Section 13.B – Franchise Agreement and Section 7.B – Area Development Agreement</p>	<p>Includes transfer of contract or business, or transfer of majority control of the Franchise Agreement or of the business.</p> <p>You do not have the right to assign this Agreement.</p>
l. Our approval of transfer by franchisee	<p>Section 13.B – Franchise Agreement</p> <p>Section 7.B – Area Development Agreement</p>	<p>We have the right to approve all transfers, but will not withhold our consent if all of the requirements for the transfer are met.</p> <p>We have the right to approve, but you may not transfer only a portion of your rights.</p>

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENTS	SUMMARY
m. Conditions for our approval of transfer	<p>Section 13.B – Franchise Agreement</p> <p>Section 7.B – Area Development Agreement</p>	<p>Transferee must meet our requirements and sign a new franchise agreement on our then-current form for the remaining term of your agreement. (The new agreement may provide for different fees or territory than in your agreement, but we will not require the transferee to pay us a new initial franchise fee.) You must also pay a transfer fee and sign a release (subject to state law).</p> <p>You must sign franchise agreements for all remaining studios you are permitted to develop, and you must transfer those agreements to the same person or entity to whom you are transferring the Area Development Agreement.</p>
n. Our right of first refusal to acquire your business	Section 19 – Franchise Agreement	We have the right to match any offer for your business.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	<p>Section 13.B – Franchise Agreement and Section 7.B – Area Development Agreement</p>	Your heirs can assume your rights, but if they do, they must meet the transfer requirements.
q. Non-competition covenants during the term of the franchise	Section 17.A – Franchise Agreement and Section 8 – Area Development Agreement	No involvement in any studio that offers nail care services (including as creditor or landlord), wherever located.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.B – Franchise Agreement and Section 8 – Area Development Agreement	No involvement in any studio that offers nail care services (including as creditor or landlord) for 2 years in your Protected Territory or within a 10 mile radius of any FRENCHIES studio.
s. Modification of the agreement	<p>Sections 8.H and 20.K – Franchise Agreement</p> <p>Section 8 – Area Development Agreement</p>	<p>No modifications without consent by all parties, but our manuals are subject to change.</p> <p>No modifications without consent of all parties.</p>
t. Integration/merger clause	Section 20.E & 20.K – Franchise Agreement, Section 8 – Area Development Agreement	Only the terms of the Franchise Agreement, Area Development Agreement, and other written agreements are binding (subject to applicable state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement/Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 18 – Franchise Agreement, Section 8 – Area Development Agreement	Except for certain disputes, all disputes must be mediated, and if not settled by mediation, are then subject to arbitration.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENTS	SUMMARY
v. Choice of forum	Section 18.F – Franchise Agreement, Section 8 – Area Development Agreement	Mediation and arbitration in Denver, Colorado. Any litigation must be brought in the United States District Court for the District of Colorado or the Denver District Court, Colorado, except as provided in state-specific addendum.
w. Choice of law	Section 20.D – Franchise Agreement, Section 8 – Area Development Agreement	Subject to state law, Colorado law generally applies.

**ITEM 18
PUBLIC FIGURES**

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

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATION**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and 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 the information included in Item 19 may be given only if: (1) the franchisor provides the actual records of an existing outlet you are considering buying; or (2) the 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.

Except as set out below, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting our Chief Executive Officer at 5931 Rain Dance Trail, Littleton, Colorado 80125 or via phone at 720.526.2935, the Federal Trade Commission, or the appropriate state regulatory agencies.

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

POTENTIAL FINANCIAL PERFORMANCE OF NAIL STUDIOS AT STABILIZATION

The table below provides estimated sales volumes and key expenses for an average Nail Studio once it has reached a stabilized customer base generating 9,000+ appointments per year.— Our corporate location reached that appointment level in its third year of operations.— In our first year of operations, our corporation location generated 7,881 appointments; in its second year of operations it generated 8,831 appointments, or a 12% year over year increase; and in its third year of operations it generated 9,467 appointments, or a 7% increase.— Our two franchise locations have not been opened a full year, but based on year to date numbers

we forecast their respective annual appointment to be approximately 5,180 and 8,050. The information is based on revenue reports we received from our franchisees, which were not audited, and the revenue reports of our corporate location, which were also not audited.— In addition to the information disclosed in the table below, the following sales growth information is available based on our corporate location:

	<u>Total</u> <u>Appts.</u>	<u>Increase</u> ¹	<u>Average \$</u> <u>Per Appt.</u>	<u>Increase</u> ¹	<u>Gross</u> <u>Revenue</u>	<u>Increase</u> ¹
2014	7,881	n/a	32.88	n/a	\$230,441 ²	n/a
2015	8,831	12%	36.29	10%	\$320,491	23% ³
2016	9,467	7%	42.48	17%	\$402,197	25.5%

¹ The increase is the percent increase from the prior year.

² We were only open for business for 10 months in 2014.

³ In calculating the percent increase in Gross Revenue from 2014 to 2015, we annualized the Gross Revenue for 2014 and assumed a full year's Gross Revenue to \$276,529.— Un-annualized the 2015 Gross Revenue would be a 39% increase over the actual Gross Revenue of 2014 generated in 10 months.

THESE FIGURES ARE ONLY ESTIMATES OF WHAT WE THINK YOU MAY EARN. YOUR INDIVIDUAL RESULTS MAY DIFFER.— THERE IS NO ASSURANCE THAT YOU WILL EARN AS MUCH.

	<u>ESTIMATED REVENUE AND</u> <u>EXPENSES</u> ^{1, 2}	<u>PERCENT OF GROSS</u> <u>REVENUE</u>
<u>ESTIMATED GROSS REVENUE</u> <u>FROM RETAIL SALES</u>	<u>\$37,000</u>	<u>9%</u>
<u>ESTIMATED GROSS REVENUE</u> <u>FROM SERVICES</u>	<u>\$368,000</u>	<u>91%</u>
<u>ESTIMATED GROSS REVENUE</u>	<u>\$405,000</u>	<u>100%</u>
<u>DECEMBER COMMITTED</u> <u>FUTURE INCOME FROM</u> <u>SERIES AGREEMENTS</u> ³	<u>\$15,000</u>	<u>N/A</u>
<u>NON-DISCRETIONARY EXPENSES</u>⁴		
<u>PAYROLL</u>	<u>\$195,000</u> ⁵	<u>48%</u>
<u>SALON SUPPLIES</u>	<u>\$36,000</u>	<u>9%</u>
<u>COGS</u>	<u>\$11,500</u>	<u>3%</u>
<u>RENT AND UTILITIES</u>	<u>\$29,000</u>	<u>7%</u>
<u>ROYALTY</u>	<u>\$22,000</u>	<u>5.5%</u>
<u>MARKETING FEE</u>	<u>\$8,000</u>	<u>2%</u>
<u>LOCAL ADVERTISING</u>	<u>\$15,000</u>	<u>4%</u>
<u>CREDIT CARD FEES AND</u> <u>BANK CHARGES</u>	<u>\$9,000</u>	<u>2%</u>
<u>INSURANCE</u>	<u>\$3,000</u>	<u>>1 %</u>
<u>TECHNOLOGY FEE</u>	<u>\$3,600</u>	<u>>1 %</u>
<u>DISCRETIONARY EXPENSES</u>⁶		
<u>MISC.</u>	<u>\$5,000 - \$15,000</u> ⁷	

- ¹ The financial performance figures and expenses above are projections based on three year history of operating our corporate location and the limited history of our franchisees.— You should conduct an independent investigation of revenue, costs, and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in **Exhibit G** to this Disclosure Document may be one source of this information.
- ² The projections are based on a stabilized client base generating at least 9,000 appointments during a 12-month period, our recommended pricing and adequate staff, space, proper training, equipment to provide the assumed level of orders, and compliance with the operations manual. Your actual number of annual appointments, gross revenue, and expenses **may vary considerably from these projections** based on a number of factors, including but not limited to, the amount of services each new client purchases, the number of repeat customers you maintain, the amount of products you sell, the local population base, any discount programs you may offer, the level of competition in your area, any pricing adjustments you choose to make, and other factors. The projections should in no way be construed as a minimum guarantee of appointments, revenue, or profit.
- ³ The Committed Future Income for Series Agreements represents an estimate of Series agreements you will have signed during the month of December in an average stabilized year for future payment and services. It is identified separately as it represents funds committed to your Studio in the next year and not included in projected Gross Revenue.
- ⁴ The estimated non-discretionary expenses includes required expenses that can be readily estimated for most Studios, such as royalties and related fees, rent, labor, marketing expenditures, insurance, and computer/technology fees. Your total expenses will depend on a number of factors including, but not limited to, your location and the business decision that you make. You should conduct an independent investigation of all expenses you will incur in operating your franchised business. The actual expenses for your location **may vary considerably from these expenses** based on a number of factors, including but not limited to, your rent, level of staffing, the amount of local marketing expenditures, credit loss, the precise breakdown of the services you provide, insurance coverage, discounts you offer, the amount and terms of any financing your secure for your location, the amount and level of additional expenses you incur, and other factors.
- ⁵ The estimated payroll expense does not include a salary for the owner, but assumes that the owner works in the location.
- ⁶ In addition to non-discretionary expenses, you may incur a variety of discretionary expenses including but not limited to, travel, professional fees, additional technology, credit loss, debt service, and other expenses.
- ⁷ Because discretionary expenses vary considerably from one Studio to the next, we have provided a range for this category of expenses. Your discretionary expenses may exceed the range provided.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1
Systemwide Outlet Summary
For Years 2014-2016

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
<u>Franchised</u>	2014	0	0	0
	2015	0	0	0
	<u>2016</u>	<u>0</u>	<u>2</u>	<u>+2</u>
<u>Company – Owned</u>	2014	0	1	+1
	2015	1	1	0
	<u>2016</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Total Outlets</u>	2014	0	1	+1
	2015	1	1	0
	<u>2016</u>	<u>1</u>	<u>3</u>	<u>+2</u>

NOTES

- 1 The existing Nail Studio is owned by Frenchies Revolution, an entity with the same ownership as the Franchisor.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2014-2016

STATE	YEAR	NUMBER OF TRANSFERS
<u>Colorado</u>	2014	0
	2015	0
	<u>2016</u>	<u>0</u>
<u>Minnesota</u>	2014	0
	2015	0
	<u>2016</u>	<u>0</u>

Table No. 3
Status of Franchised Outlets
For Years 2014-2016

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	RE-ACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF YEAR
Colorado	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Minnesota	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2
Other	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Total	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2

Table No. 4
Status of Company-Owned Outlets
For Years 2014-2016

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
Colorado	2014	0	1	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
Total Outlets	2013	0	0	0	0	0	0
	2014	0	1	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1

NOTES

- 1 The existing Nail Studio is owned by Frenchies Revolution, an entity with the same ownership as the Franchisor.

Table No. 5
Projected Openings

STATE	FRANCHISE AGREEMENTS SIGNED AS OF DECEMBER 31, 2016 5 , BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR*	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
Colorado	0	<u>0-1-4</u>	0
Minnesota	0 2	<u>0-1-2</u>	0
<u>Other</u>	<u>0</u>	6	
Total	<u>2</u>	<u>2-6-8</u>	0

* We are looking for prospective franchisees throughout the contiguous 48 states, and cannot know in advance where we might find prospects. Therefore, any projection of this nature is very speculative, but we are actively pursuing expansion. We will add franchised studios where we find qualified prospects. In total, we expect to open 19-26 new franchised studios in the fiscal year ending December 31, 2017.

We currently have two franchisees whose outlets have opened as of the date of this Disclosure Document, as is reflected in **Exhibit E**. We do not have any franchisees who have had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2016, or who have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. We did not have any franchisees sign confidentiality clauses with us during the last three fiscal years that would prevent them from speaking openly about their experiences with us.

We have not created, sponsored, or endorsed any franchise organization and no independent franchisee organization has asked to be included in this Disclosure Document.

ITEM 21 **FINANCIAL STATEMENTS**

As noted in ~~ITEM 1~~~~ITEM 4~~~~ITEM 4~~, we were formed as an entity as of March 11, 2015 and began operating as of April 7, 2015. We have a very limited financial history. Attached to this Disclosure Document as **Exhibit F** is our audited Balance Sheet and audited Profit and Loss Statement for the year ended December 31, 2015. We have not been in business for three years or more, and cannot include all the financial statements required by the Rule for the last three fiscal years as a result, but we have included audited financial statements ~~that include all financial information available as of~~ for fiscal years ending December 31, 2015 and December 31, 2016.

ITEM 22 CONTRACTS

Exhibits B and C of this Franchise Disclosure Document contain all of the contracts proposed for use or in use in connection with the offer of our franchises, including the following agreements:

Exhibit B: Exhibit B is the Franchise Agreement. It includes the following contracts and exhibits:

- Franchise Agreement Rider
- Initial Franchise Fee Attachment to Rider
- Exhibit A: Personal Guaranty
- Exhibit B: General Release
- Exhibit C: Collateral Assignment of Lease
- Exhibit D: State-Specific Addenda
- Exhibit E: Electronic Funds Withdrawal Authorization

Exhibit C: Exhibit C is the Area Development Agreement. It includes the following contracts and exhibits:

- Area Development Agreement Rider
- Personal Guaranty
- State-Specific Addenda

ITEM 23 RECEIPTS

The last four pages of this Disclosure Document are two detachable documents acknowledging receipt of this Disclosure Document. Please sign both receipt pages and return one fully-executed Receipt to us.

FRENCHIES

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EXHIBIT A

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

**LIST OF STATE AGENCIES AND
AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE AGENCIES AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	<p>Department of Business Opportunities Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677</p> <p>1350 Front Street, Room 2034 San Diego, CA 92101-3697</p> <p>One Sansome Street, Ste. 600 San Francisco, CA 94104</p> <p>1515 K Street Suite 200 Sacramento, CA 95814-4052</p>	<p>California Commissioner of Business Opportunities Oversight California Dept. of Corporations 320 W. 4th Street, Suite 750 Los Angeles, California 90013</p>
HAWAII	<p>State of Hawaii Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808.586.2744</p>	<p>Commissioner of Securities 335 Merchant Street Room 205 Honolulu, HI 96813</p>
ILLINOIS	<p>Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217.782.4465</p>	<p>Illinois Attorney General 500 South Second Street Springfield, IL 62706</p>
INDIANA	<p>Securities Commissioner Indiana Securities Division Room E 111 302 West Washington Street Indianapolis, IN 46204 317.232.6681</p>	<p>Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204</p>
MARYLAND	<p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410.576.7044</p>	<p>Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202- 2020</p>
MICHIGAN	<p>Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 517.373.7117</p>	<p>Michigan Department of Commerce Corporations and Securities Bureau 670 Law Building Lansing, MI 48913</p>

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651.296.4026	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 212.416.8222	Secretary of State of New York 41 State Street Albany, NY 12231-0001
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5th Floor Bismarck, ND 58505-0510 701.328.2910	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5th Floor Bismarck, ND 58505-0510
RHODE ISLAND	Securities Division Department of Business Registration 1511 Pontiac Avenue John O. Pastore Center Building 69-1 Cranston, RI 02920 401.277.3048	Director of Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Center Building 69-1 Cranston, RI 02920
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, SD 57501-3185 605.773.5953	Director of South Dakota Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-3185
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, VA 23219 804.371.9051	Clerk of the State Corporation Commission 1300 E. Main Street, First Floor Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division P. O. Box 41200 Olympia, WA 98504 360.902.8700	Department of Financial Institutions Securities Division P. O. Box 41200 Olympia, WA 98504
WISCONSIN	Commission of Securities 345 West Washington Ave. Madison, WI 53703 608.266.1365	Wisconsin Commissioner of Securities 345 West Washington Ave. Madison, WI 53703

FRENCHIES

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EXHIBIT B

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS

FRENCHIES

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FRANCHISE AGREEMENT

FRENCHIES, LLC
a Colorado limited liability company
5931 Rain Dance Trail
Littleton, Colorado 80125
Telephone: 720.525.2935
franchise@frenchiesnails.com
www.frenchiesnails.com

**FRENCHIES®
FRANCHISE AGREEMENT**

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EXHIBITS:

Exhibit A	Personal Guaranty
Exhibit B	General Release
Exhibit C	Collateral Assignment of Lease
Exhibit D	State-Specific Addendum (Minnesota)
Exhibit E	Electronic Funds Withdrawal Authorization

FRENCHIES®
FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** (“**Agreement**”) is made as of the Effective Date set forth in the Rider attached to this Agreement (the “**Rider**”) between **FRENCHIES, LLC**, a Colorado limited liability company (“**we**” or “**us**”) and the person or persons named in the Rider as “**Franchisee**” (“**you**”).

RECITALS:

- A. We have invested substantial time, effort, and money to develop a system for operating boutique studios that offer hand and foot care services to men and women, and other related products and services under the trademark “**FRENCHIES®**” and other trademarks, service marks, and intellectual property rights. We grant franchises to qualified candidates for the operation of a hand and foot care business. We license our trademark rights in “**FRENCHIES**” “**FRENCHIES NAIL SALONS®**” and may in the future adopt, use, and license additional or substitute trademarks, service marks, logos, and commercial symbols in connection with the operation of FRENCHIES studios (collectively the “**Marks**”). FRENCHIES studios use our methods, procedures, standards, specifications, and Marks (all of which are collectively referred to as the “**System**”), which we may improve, further develop, or otherwise modify from time to time.
- B. You acknowledge that you have had an adequate opportunity to be thoroughly advised about the provisions of this Agreement and our Franchise Disclosure Document and have had sufficient time and opportunity to evaluate and investigate the System and the procedures and financial requirements associated with the System, as well as the competitive market in which it operates.
- C. You desire to operate a FRENCHIES franchise that will conform to our uniform requirements and quality standards as we establish from time to time.

AGREEMENTS:

1. GRANT OF FRANCHISE; FRANCHISED LOCATION

- A. **Grant of Franchise.** Subject to the provisions stated below, we license to you a personal franchise to operate a FRENCHIES business (your “**Nail Studio**”) in conformity with our System at the location described on the Rider (the “**Franchised Location**”). You accept the license and undertake the obligation to operate your Nail Studio using the System and in compliance with our standards. Unless otherwise agreed in writing by us, you must open your Nail Studio within nine (9) months from the Effective Date; *provided, however*, we will give you a one-time opportunity to extend this date by three (3) months subject to you paying us an extension fee of \$500, and signing an extension agreement in the form we provide. However, if you are converting an existing nail care business to a FRENCHIES studio, you must complete all remodeling and open your Nail Studio in accordance with the terms of this Agreement within ninety (90) days of the Effective Date. In each case, you must diligently operate your Nail Studio in accordance with this Agreement for the entire remaining term of this Agreement. Notwithstanding the foregoing, if you are entering into this Agreement under the terms of an Area Development Agreement executed between you and us, you will open your Nail Studio on or before the date set forth in the “**Development Schedule**” (as defined in the Area Development Agreement). Your Nail Studio may only be operated at the Franchised Location. If you would like to open a second or subsequent location, you must sign a new franchise agreement on our then-current form for each location, and pay the applicable franchise fees for each location.
- B. **Limitations.** The rights and privileges granted to you under this Agreement are personal in nature and may not be used at any location other than the Franchised Location. You do not have the right to

delegate, subfranchise, or sublicense any of your rights under this Agreement. Without our written consent, you may not use the Franchised Location for any purpose other than the operation of a FRENCHIES studio.

- C. Protected Territory.** Included in the Rider is a map or description of an area surrounding the Franchised Location (the “**Protected Territory**”). Except as specified in this Section or in **Section 2.B**, during the term of this Agreement, we will not operate—or license to anyone else the right to operate—a FRENCHIES studio from any other location in the Protected Territory. You acknowledge and agree that: (i) we and our affiliates have the right to grant other franchises or licenses, and to operate company or affiliate-owned FRENCHIES studios, at locations outside the Protected Territory even if they compete with your Nail Studio for customers who may live or work in or near the Protected Territory; and (ii) we and our affiliates have the right to operate—and to grant franchises or licenses to others to operate—nail care businesses and any other businesses from locations within and outside the Protected Territory under trademarks other than the Marks, without compensation to you; *provided, however*, that with respect to this clause (ii), we and our affiliates will not operate a nail care business within the Protected Territory—or grant franchises or licenses to others to operate a nail care business within the Protected Territory—unless we do so after we or our affiliates acquire, or merge with, another business that operates or grants franchises to operate a nail care business, or after we are acquired by such a business, in which case we may do so, provided we do not operate those nail care businesses in the Protected Territory using the Marks, or license anyone to use the Marks to operate such nail care businesses in the Protected Territory. In addition, the boundaries of your Protected Territory may overlap with a territory we grant to another franchisee or to a FRENCHIES studio we (or our affiliates) operate, so long as no other FRENCHIES studio is located within your Protected Territory.
- D. Additional Reservation of Rights.** We and our affiliates reserve any and all rights not expressly granted to you under this Agreement, including, without limitation, the right to sell products and services anywhere—including within the Protected Territory and including to your customers—under the “**FRENCHIES**” name, or under any other name, through any channel of distribution.

2. TERM; RENEWAL RIGHTS

- A. Initial Term.** The term of this Agreement is for six (6) years commencing on the Effective Date of this Agreement, unless terminated earlier as provided in this Agreement.
- B. Renewal.** You have the right to renew your Nail Studio franchise for the Franchised Location for an additional six (6) year term, provided you meet all of the following conditions:
- i. You have given us written notice at least two hundred ten (210) days before the end of the then-current term of this Agreement of your desire to renew;
 - ii. You—and all entities of which you are a member, partner, or shareholder—are in compliance with all agreements between you and us and between you and our affiliates, and there has been no series of defaults by you under those agreements (*i.e.*, an abnormal frequency of defaults, a default that has occurred repeatedly, or a combination thereof), whether or not those defaults were cured;
 - iii. You make—or provide for in a manner satisfactory to us—renovation and re-equipping of your Nail Studio as we deem appropriate to reflect the then-current standards and image of the System, including, without limitation, renovation or replacement of signs, equipment, furnishings, fixtures, and decor;

- iv. You pay us a renewal fee at least fifteen (15) days before expiration of the initial term of this Agreement in an amount equal to ~~Six-Three~~ Thousand Dollars (\$~~63,000~~) (which we will reduce to ~~Two-Five~~ Thousand ~~Five Hundred~~ Dollars (\$~~5,000~~~~2,500~~) if we receive all your signed renewal documents, and this fee, at least thirty (30) days before this Agreement expires) (the “**Renewal Fee**”);
- v. You sign the standard Franchise Agreement then being used by us within thirty (30) days of receipt, provided that you pay the Renewal Fee in lieu of the Initial Franchise Fee set forth in the then-current Franchise Agreement. The terms of that Franchise Agreement may differ from this Agreement, including higher fees and a modification to the Protected Territory based upon our then-current methods of determining Protected Territory areas (and which may include a reduction in the Protected Territory);
- vi. You present satisfactory evidence that you have the right to remain in possession of the Franchised Location for the duration of the renewal term, unless we determine that the location of your business is no longer viable for the operation of your Nail Studio, in which case we may condition your right to renew on your obtaining a new site for your Nail Studio that we approve;
- vii. Your management staff and each technician you employ in your Nail Studio successfully completes any refresher training we prescribe at least thirty (30) days before the expiration of the term of this Agreement; and
- viii. At the time you sign the Franchise Agreement to renew your franchise, you sign and deliver to us a general release, in substantially the form of **Exhibit B** to this Agreement, releasing (to the fullest extent permitted under the laws of the state where your Nail Studio is located) all claims that you may have against us and our affiliates and our respective officers, directors, shareholders, employees, insurers, consultants, contractors, and agents, in both their corporate and individual capacities.

If you fail to timely comply with any provision of this Section, time being of the essence, we will at all times thereafter be permitted to operate—or license to someone else the right to operate—a FRENCHIES studio from any location in the Protected Territory, and you specifically grant to us and to the owner of that studio the right to contact the customers of your Nail Studio, notify them that you have chosen not to renew your relationship with us, and solicit those customers to patronize a new FRENCHIES studio in the Protected Territory.

To make it easier for you to renovate and re-equip your Nail Studio when you want to renew the Franchise, we recommend that you set aside a monthly amount equal to \$0.25 per square foot of your Nail Studio in an account to be used as seed money to bring your Nail Studio up to current standards. We reserve the right to require you to pay these amounts to us to hold for you, but if we impose this obligation, we will release the funds to you as needed for you to complete your obligation to renovate and re-equip your Nail Studio. While we do not expect these funds will cover the entire cost of both the remodeling and new equipment you will need, if we do collect these amounts and they exceed the amount you need, or if you elect not to renew the Franchise, we will refund the excess amounts to you upon completion of the renovation and re-equipping and of your Nail Studio or upon the termination of your Franchise in the event you elect not to renew the Franchise.

3. MARKS AND COPYRIGHTS

- A. Identity of Your Nail Studio.** Your Nail Studio will be identified by the trademark “FRENCHIES,” and other names and logos we prescribe from time to time.
- B. Ownership of Mark.** You agree that we own the Marks and the System. You also agree that any and all improvements and derivations by you relating to the Marks and System are our sole property and you hereby assign to us the same, together with the goodwill associated with the same. We will have the exclusive right to register and protect all improvements and derivations of the Marks and the System.
- C. Use.** Your right to use and identify with the Marks and System applies only to the Franchised Location, and exists concurrently with the term of this Agreement and only so long as you are in complete compliance with our quality standards. You will have the right to use the Marks and System only in the manner we prescribe, direct, and approve in writing. You will not have or acquire any rights in any of the Marks or System other than the right of use as governed by this Agreement. You may not authorize others to use or reproduce our Marks without our prior written consent. Your use of the Marks and any resulting goodwill will be to our exclusive benefit. If, in our judgment, your conduct infringes upon or demeans the goodwill, standards of uniformity or quality, or business standing associated with the Marks or the System, you will immediately, upon written notice from us, modify your use of the Marks and the System in the manner we prescribe in writing. You will not—during or after the term of this Agreement—do anything directly or indirectly that would disparage, infringe upon, harm, or contest our rights in the Marks or System.
- D. Promotion.** You will operate your Nail Studio so that it is clearly identified and advertised as a FRENCHIES studio. The style, form, and use of the words “FRENCHIES” in any advertising, written materials, products, or supplies, including (but not limited to) in or on Your FRENCHIES Web Page (defined below), or in or on any Internet website or home page, social networking or social media website, profile, account, mobile application, or username relating to or making reference to us, your Nail Studio, or to the System (each, a “**Social Media Site**”), must, however, have our prior written approval and comply with specifications we prescribe in writing and as set forth in the Manual, or otherwise. You will use the trademark “FRENCHIES” and the other Marks that now or hereafter may form a part of the System, on all signs, paper supplies, business cards, uniforms, advertising materials, web sites, Your FRENCHIES Web Page, Social Media Sites, signs, and other articles in the identical combination and manner as we prescribe in writing and you will supply to us samples or photographs of the same upon our request. You will comply with all trademark, trade name, service mark, and copyright notice marking requirements and you will supply to us samples or photographs of the same upon our request. You will not use the words “FRENCHIES” in your corporate, partnership, limited liability company, or other entity name. You ~~also will not use them~~ may not maintain any Social Media Site that use the words “FRENCHIES” or any similar name in any domain name or use of refer to the Marks or the System, account name, metatag, ADWord, mobile app, profile, URL, or other electronic form you establish without our prior written consent, which we may withhold in our sole discretion.
- E. Substitutions of, or Adverse Claims to, Marks.** We have the right to protect and maintain all rights to the Marks against encroachment, misuse, or unauthorized use and against all challenges to any rights of its use, as we deem appropriate. If it becomes advisable at any time, in our sole discretion, to modify our use of any Mark, or to discontinue using any Mark, or if there is an adjudication by a court of competent jurisdiction that any party’s rights to any of the Marks are superior to ours, then upon written notice from us, you will, at your sole expense, immediately adopt and use the changes and amendments to the Marks that are specified by us in writing, and if the Mark that is changed is the name “FRENCHIES,” then all references in this Agreement to the name “FRENCHIES” will be deemed references to the substitute Mark. If we modify or discontinue use of any Mark, you will immediately

cease using the Marks specified by us, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs, and commercial symbols designated by us in connection with all advertising, marketing, and promotion of your Nail Studio. We will have no liability or obligation whatsoever with respect to your modification or discontinuance of any Mark. You will not make any changes or amendments in or to the use of the Marks or System unless directed by us in writing.

- F. Litigation.** You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you with respect to the Marks and will, at your reasonable expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation incurred by us, including reasonable attorneys' fees, specifically relating to the Marks. We will have the right to control and conduct any litigation relating to the Marks and be entitled to all recovery related to claims arising from or related to the Marks. While we are not required to defend you against a claim based on your use of the Marks, we will reimburse you for your liability. You will also be required to reimburse us for liability arising out of your unauthorized use of any of the Marks.
- G. Copyrighted Materials.** You acknowledge and agree that we may authorize you to use certain copyrighted or copyrightable works (the "**Copyrighted Materials**"), including the Manual (as defined below). The Copyrighted Materials are our valuable property. Your rights to use the Copyrighted Materials are granted to you solely on the condition that you comply with the terms of this Agreement. Your use of the Copyrighted Materials does not vest you with any interest other than the temporary, non-exclusive license to use the Copyrighted Materials granted in this Agreement. All rights that inure as a result of the use of the Copyrighted Materials belong solely to us.
- H. Protection.** You will sign any documents that we or our counsel deem necessary for the protection of the Copyrighted Materials or the Marks or to maintain their validity or enforceability, or to aid us, at our expense, in acquiring rights in or registering any of the Marks or any trademarks, trade names, service marks, slogans, logos, or emblems that we subsequently adopt.

4. INITIAL FRANCHISE FEE

- A. Initial Franchise Fee.** You will pay us a nonrefundable initial franchise fee (the "**Initial Franchise Fee**") as set forth in the Rider.
- B. No Refunds.** The Initial Franchise Fee has been fully earned upon our signing of this Agreement and is nonrefundable in consideration of the expenses incurred by us in granting this franchise and for the lost or deferred opportunity to franchise others.

5. WEEKLY FEES

- A. Weekly Royalty Fee.** On Monday of each week, you will pay to us a non-refundable weekly royalty payment (the "**Weekly Royalty Fee**") equal to the greater of: (i) One Hundred Dollars (\$100) per week; or (ii) five and one-half percent (5.5%) of the Gross Revenues generated in the preceding week by your Nail Studio.
 - i. Your obligation to pay us the Weekly Royalty Fee under the terms of this Agreement will begin on the date you open your Nail Studio, unless you have not done so within one (1) year from the Effective Date, in which case your obligation to begin paying the Weekly Royalty Fee will begin one (1) year from the Effective Date; *provided, however*, that if you have

not yet been given a Protected Territory, or you voluntarily relinquish your Protected Territory, then for a fee of Five Hundred Dollars (\$500), we will grant you one nine (9) month extension to open your Nail Studio, and we will waive the Monthly Fee until you begin operating your Nail Studio. Your obligation to pay the Weekly Royalty Fee will remain in full force and effect throughout the term of this Agreement.

- ii. **“Gross Revenues”** means the total amount of revenues you receive from all business activities taking place at the Nail Studio, in the form of cash or credit, plus the fair market value of products delivered and services rendered to you, or to your designee, in consideration for products and services provided in, from, or in conjunction with your Nail Studio. There will be excluded from Gross Revenues bona fide refunds, credits given or allowed to customers for the return of merchandise, and amounts collected from customers and remitted by you to any governmental taxing authority in satisfaction of sales taxes.

B. Weekly Advertising and Marketing Fund Contribution. Beginning on the first day of the seventh month following the opening of your Nail Studio, on Monday of each week, you will pay to us a non-refundable weekly General Advertising and Marketing Fund Contribution equal to two percent (2%) of the previous calendar week’s Gross Revenues from your Nail Studio (the **“General Advertising and Marketing Fund Contributions”**). Franchisor reserves the right, in its sole discretion, to increase the amount of the General Advertising and Marketing Fund Contributions for such amount it determines; provided Franchisor may only increase the amount once per any twelve (12) month period and in no event shall the General Advertising and Marketing Fund Contributions exceed five percent (5%). We will account for all General Advertising and Marketing Fund Contributions we receive as part of a **“General Advertising and Marketing Fund.”** Franchisor has the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved, or merged.

- i. Expenditures from this Fund will be made solely for the payment of expenses incurred in the promotion of the Marks and System, including, in our discretion, the creation, production, and placement of commercial advertising; agency costs and commissions; creation of production of video, audio, and written advertisements; administering multi-regional advertising programs, direct mail and other media advertising; in-house staff assistance and related administrative costs; local and regional advertising and marketing promotions; public relations campaigns, including the cost of retaining public relations firms; market research; and other advertising and marketing activities, including participating at tradeshow; and the reasonable costs for administering the Fund, including accounting expenses, the cost of salaries and fringe benefits paid to our employees engaged in administration of the Fund, and overhead allocated to advertising and marketing activities.
- ii. All interest, if any, earned by the General Advertising and Market Fund will be used for the payment of the foregoing expenses before application of any principal.
- iii. Franchisor has the right to reimburse itself from the General Advertising and Marketing Fund contributions for such reasonable costs and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the Marketing Fund.
- iv. Franchisor may, at its sole discretion, choose to contribute to the General Advertising and Marketing Fund for Franchisor-owned Nail Studios, but is not obligated to do so.
- v. Franchisor will prepare on an annual basis, and will have available for Franchisee within one hundred and twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the General Advertising and Marketing Fund. The statement will be

presented to Franchisee upon Franchisee's written request. The General Advertising and Marketing Fund is not required to be independently audited.

ii. _____

iii-vi. Methods, media employed, the contents of advertising and marketing, and terms and conditions of advertising, marketing, and promotional programs, will be in our sole discretion, but we will not use any of these monies for any advertising that is primarily directed to helping us sell franchises.

C. Manner of Payment. Your payment of the Weekly Royalty Fee, the General Advertising and Marketing Fund Contribution, and any other monthly fees owned to us will be collected on Monday of each week after we receive your Gross Revenue report. Payment will be made by an electronic funds transfer program (the “**EFT Program**”) under which we automatically deduct from your bank account all payments you owe to us under this Agreement or any other agreement between you and us. Before opening your Nail Studio, you will provide us with your bank name, address, account number, and a voided check from your bank account. You will also execute an Electronic Funds Withdrawal Authorization, which is attached as **Exhibit E** to this Agreement, and give copies to your bank and us. You will immediately notify us of any change in your banking relationship, including changes in account numbers. We reserve the right to require you to pay any fees due under this Agreement by other means we may specify from time to time. If we do not receive your Gross Revenue report in the time period required by this Agreement, we may process an EFT for the week based on the most recent Gross Revenue report; *provided, however*, that if we subsequently receive a Gross Revenue report and it reflects: 1.) that the actual amount of fee due was more than the amount of the EFT, then we will be authorized, at our option, to withdraw additional funds through EFT from your designated account for either 110% of the fees transferred from your account for the last reporting period or the amount due based on information retrieved from any approved operating system; or 2.) that the actual amount of the fee due was less than the amount of the EFT, then we will credit the excess amount to the payment of your future obligations. You agree that you will not withhold payment of any Monthly Fee, General Advertising and Marketing Contributions, Technology Fee, or any other amount due to us, and that any alleged non-performance or breach of any obligation you may claim by Franchisor under this Agreement or related agreement does not establish a right at law or in equity to withhold payments due us for Monthly Fee, General Advertising and Marketing Contributions, Technology Fee, or any other amount due to us.

D. Insufficient Funds. As part of your participation in the EFT Program, if the funds in your bank account are insufficient to cover any amounts due under this Agreement on the date the funds are due, in addition to the overdue amount, you must also pay us a fee of one hundred dollars (\$100) for each instance when a payment is due under this Agreement and the funds in your account are insufficient to cover the full amount of that payment. If EFT is not honored by your bank for any reason, you agree that you are responsible for that payment and any service charge in addition to the insufficient funds fee.

6. ADVERTISING AND PROMOTION

6. Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

A. Generally. Generally, with regard to advertising for the Nail Studio, Franchisee shall will place or display at the Approved Location (interior and exterior) only such the signs, emblems, lettering, logos, and displays and advertising materials as Franchisor approves in writing from time to time. Franchisee

shall submit to Franchisor, at least fifteen (15) business days ~~prior to~~ before publication or use, samples of any sales, promotional, and advertising materials Franchisee desires to use, including, but not limited to, print, radio, television, and internet advertising, signage, supplies, and packaging which Franchisor has not previously approved. Within ten (10) business days of Franchisor's receipt of any sample sales promotional material or advertising materials from Franchisee, Franchisor ~~shall~~ will notify Franchisee in writing of Franchisor's approval or disapproval of the materials. Franchisee ~~shall~~ will not use any advertising or promotional materials for which Franchisor has not given Franchisor's prior written approval. All advertising ~~shall~~ will prominently display the Marks and ~~shall~~ will comply with any standards for use of the Marks Franchisor establishes as set forth in the Operations Manual or otherwise in writing. Franchisor may require Franchisee to discontinue the use of any advertising or marketing material, within time frames prescribed by Franchisor, at Franchisee's sole cost and expense.

B. Territorial Advertising Restriction. Franchisee is not permitted to solicit customers and/or advertise outside Franchisee's Territory without Franchisor's prior written consent, which it may grant at its sole discretion. Franchisor may condition Franchisor's authorization upon Franchisee's agreement to offer other Frenchies franchisees who are operating Nail Studios in territories encompassed by the circulation base of the proposed advertising the opportunity to participate in, and share the expense of, such solicitation and/or advertising. Notwithstanding the foregoing, Franchisee may accept customers from outside Franchisee's Territory at Franchisee's Nail Studio, provided Franchisee did not solicit such customers by advertising outside of Franchisee's Territory without Franchisor's prior written consent. Franchisee may not advertise the Nail Studio or any products or services offered by the Nail Studio via the Internet or any other means of e-commerce, except as permitted in Section 6.C below.

C. Internet Advertising. In addition to the advertising obligations described above, as soon as possible (based on publication deadlines) after signing this Agreement, Franchisee must place an online advertisement with Yelp, Google Pages, and any other internet advertising providers as Franchisor may require from time to time. Advertisements must conform to Franchisor's standards and specifications and Franchisee must place the advertisements under the heading(s) Franchisor designates in the Operations Manual or otherwise in writing.

D. Social Media Site and Website.

i. Franchisor may establish a website and Social Media Sites, such as a Facebook account, that provides information about the System and Franchisor's products and services. Franchisor may use part of the monies from the Marketing Fund that Franchisor collects under this Agreement (as defined below) to pay or reimburse itself for the costs associated with the development, maintenance and update of such website and Facebook account. Franchisor will be the web master/administrator, either directly or through a third party, and will have full control over such website and Facebook account.

ii. Franchisor may design and provide to Franchisee a webpage and/or Facebook page for the promotion of Franchisee's Nail Studio on Franchisor's website or linked to Franchisor's Facebook account or similar Social Media Site. In such case, Franchisor will be the web master and/or administrator, either directly or through a third party, and will have full control over the webpage or Social Media Site. Franchisor will review and execute, subject to Franchisor's approval, requested changes to Franchisee's web page or Facebook page. Franchisee is not permitted to maintain an individual website or Facebook account related to the Nail Studio, or to establish a URL incorporating any variation of the "Frenchies" name or the Marks, without Franchisor's prior written approval. Franchisee is not permitted to advertise on the Internet, including any profile on Facebook, MySpace, Twitter, LinkedIn,

Plaxo, YouTube or any other social media and/or networking site without Franchisor's prior written approval. Franchisee will not violate Franchisor's privacy policies as posted on the website. Franchisor may use part of the monies from the Marketing Fund that Franchisor collects under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of the website or Facebook account.

iii. Franchisee acknowledges that Franchisor is the lawful, rightful, and sole owner of the Internet domain name www.frenchiesnails.com, and any other Internet domain names registered by Franchisor, and unconditionally disclaims any ownership interest in those or any colorably similar Internet domain name. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or Franchisor's affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

E. Pre-opening Advertising. During the period of time beginning 30 days before until 60 days following the opening of the Nail Studio, Franchisee must spend a minimum of Ten Thousand Dollars (\$10,000) to implement a grand opening advertising and promotional campaign ("**Grand Opening Advertising Requirement**"). Franchisor, at its sole discretion, may provide graphic designs, layouts, and written copy for advertisements, which Franchisee may use, provided Franchisee must still pay production costs for items such as ad slicks and typesetting of specific ads for Franchisee's ~~Center's~~ Nail Studio's address.

F. Regional Advertising and Promotional Cooperative. Franchisor will have the right, in Franchisor's discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("**Cooperative**"), and to determine whether a Cooperative is applicable to the Franchised Business. If a Cooperative has been established applicable to the Franchised Business at the time Franchisee begins operating under this Agreement, Franchisee must immediately become a member of such Cooperative. If a Cooperative applicable to the Franchised Business is established at any later time during the term of this Agreement, Franchisee must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. If the Franchised Business is within the territory of more than one Cooperative, Franchisee is required to be a member of only one such Cooperative. The following provisions will apply to each Cooperative:

i. Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;

ii. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members in local advertising;

iii. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior approval. All such plans and materials ~~shall~~ will be submitted to Franchisor in accordance with the procedure set forth in Section A hereof;

iv. All activities and decisions of the Cooperative ~~shall~~ will be determined by a majority vote of the member franchisees in the Cooperative; and

v. Each member franchisee must submit to the Cooperative, no later than the fifth (5th) day of each month, for the preceding month, its respective contribution as provided in this Agreement together with such other statements or reports as Franchisor may require or as may be required by the Cooperative with Franchisor's approval.

A-G. Your Local Advertising. In addition to the General Advertising and Marketing Fees, you agree to conduct your own local marketing of your Nail Studio, either alone or in combination with other FRENCHIES studio owners in your market. You acknowledge that it is your responsibility to market your Nail Studio, and that the General Advertising and Marketing Fees are merely used to supplement the local marketing conducted by each of our franchisees. We may, at our option, require you to submit to us for our prior approval any advertising you propose to use for the promotion of your Nail Studio. You must also purchase a representative sample of all marketing materials we prepare for brand-level promotions. We may prescribe minimum amounts of these materials that you must purchase.

B-H. Opening Supplies. Before opening your Nail Studio, you will purchase initial business supplies and marketing materials, including business cards, thank you notes, studio intake forms, appointment reminder cards, business stationery (letterhead) and similar items. We will provide recommended suppliers for these opening supplies and any additional marketing materials, such as branded promotional props and signage for trade shows. If you order items other than those we have approved, you must obtain our prior approval of those items.

7. FRENCHIES STUDIO PREMISES

A. Site Acquisition. Before the acquisition by lease or purchase of the site for your Nail Studio, you will submit information and materials that we require to us, which may include, but not be limited to, your proposed lease.

- i. We will have ten (10) business days after receipt of the information and materials we requested to approve or disapprove your proposed site. We may condition our approval of any proposed Lease on, among other things, your execution (and your landlord's execution) of a Collateral Assignment of Lease in substantially the same form as **Exhibit C** to this Agreement. The Collateral Assignment of Lease will: a.) grant us the right—but not the obligation—to assume the Lease if you default on the Lease or if this Agreement is terminated, transferred, or expires; and b.) authorize and require your landlord to disclose to us, on our request, sales and other information you have furnished to your landlord. No site will be deemed approved unless we have expressly approved it in writing by notice of site approval sent to you. Our examination and approval of the location of your Nail Studio site does not constitute a representation, guaranty, or warranty, express or implied, of your Nail Studio's successful operation or profitability at that location. In addition, we may require you to furnish us with a copy of the signed lease and Collateral Assignment of Lease within five (5) days after its execution.
- ii. If you and we are unable to agree upon a site within three (3) months following the Effective Date, we will have the right to terminate this Agreement. If we do so, we will retain all fees you have previously paid to us to cover our expenses to date.

B. Opening. You may not initially open your Nail Studio for business until you have completed all of your pre-opening obligations and secured our consent to you opening the studio, including your opening date.

C. Relocation. You may not move or relocate your Nail Studio without our prior written consent, which consent will not be unreasonably withheld.

- i. The request for relocation must be made in writing, stating the new location, received by us at least sixty (60) days before the date of intended relocation, and be accompanied by a relocation fee of \$1,000 (the "**Relocation Fee**"). The new location must be within the

Protected Territory (as defined below), and it may not be located within any territory we grant to any other franchisee. We will refund the relocation fee to you if we do not approve your new location. In addition to the Relocation Fee, you will be responsible for any expenses we incur in facilitating your relocation.

- ii. Upon receipt of our approval, you must upgrade the new space to comply with all of our current specifications, and construct the new premises in the manner required under **Section 9.A.**
- iii. Following your relocation, we (or our designee) will conduct a security inspection of the premises to assure all security equipment has been properly installed.

8. COMPANY OBLIGATIONS/TRAINING

- A. **Location.** We will provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your Nail Studio as described above.
- B. **Prototype Floor Plan.** Before you begin construction of your Nail Studio, we will provide you with a prototype floor plan and a list of the equipment, displays, fixtures, and furnishings for setting up or remodeling your studio. It will then be your obligation to conform the prototype plans to your space, and to construct your premises according to the provisions of this Agreement and in compliance with all local laws.
- C. **Initial Management Training.** We will, at our expense, provide an initial management training program to educate and acquaint your management team with the business of operating a FRENCHIES studio. The training program will include instruction on basic operating skills and other topics we select. If you have more than one Franchise Agreement with us, we may, at our option, provide this training program one (1) time for multiple agreements. Before you open your Nail Studio, the person you designate as your principal operator (whether you, if you are an individual, or ~~one of your owners~~ person designated by you and approved by us if you are an entity) (the “**Principal Operator**”) must attend—and successfully complete—one of the next two (2) Initial Management Training Programs we offer after our acceptance of this Agreement. In addition, someone owning more than a ten percent (10%) interest in your Nail Studio and signing or guaranteeing this Agreement, if other than the Principal Operator (a “**Principal Owner**”), must also attend—and successfully complete—one of these next two (2) Initial Management Training Programs. If anyone other than a Principal Owner attends this training program, we will require they sign a confidentiality agreement that meets our requirements before they attend and you must provide us a copy of that agreement. The period of the training program will be at our discretion, but generally will be for five (5) days and will be scheduled by us in our discretion. You will be responsible for travel costs, room and board, salaries, fringe benefits, and other expenses incurred by you and your employees in attending the training program.
- D. [Reserved].
- E. **Annual Conference.** Once we begin holding annual franchise conferences, a Principal Owner is required to register for and attend our annual conference annually. The Principal Owner must register and pay the fee we set each year for this conference at least one hundred twenty (120) days before the start of the conference. If the Principal Owner cannot attend the conference, we will consider allowing you to transfer the registration to your Principal Operator, but to no other person. Additional representatives of yours may also attend the conference, as long as you register them and pay the registration fee for their attendance. You must also pay for all travel and living expenses incurred by you and your representatives in attending the conference. If you fail to register for the annual conference, we will bill you for the “early bird” (or similar) conference fee after the conference.

- F. **Additional Training.** We will make available additional training that we deem advisable to familiarize you and your management team on changes and updates in the System.
- G. [RESERVED]
- H. **Manual.** We will loan you one copy of the manual in which we describe the System operational policies, standards, requirements, and practices (the “**Manual**”). The Manual may be loaned to you by providing you access to an electronic version of the Manual. ~~You will comply with all provisions of~~ The Manual contains mandatory and suggested specifications, standards and operating procedures for Nail Studios. You must operate your Nail Studio in compliance with all mandatory provision of the Manual at all times. We have the right to revise the Manual at any time or add additional manuals. You will incorporate all revisions into the Manual, and at all times the Manual (including any additional manuals) will remain on the premises of your Nail Studio. You will not make copies of any portion of the Manual without our prior written consent. You will operate your studio in conformance with all mandatory provisions of the manual(s). You acknowledge that the manual(s) are designed to protect our standards and systems and our Marks, and not to control the day-to-day operation of your Nail Studio.
- I. **Mystery Shopping.** We will arrange a mystery shopping service to periodically shop your Nail Studio during the term of this Agreement. We will provide those results to you so that you can make any changes necessary to improve the service experience for your customers.
- J. **Other Ongoing Assistance.** During the operation of your Nail Studio, we will make available to you from time to time all changes, improvements, and additions to the System and all supplements and modifications to the Manual, and will make a representative available to speak with you on the telephone, or, at our option, through an electronic “chat” program, during regular business hours, to discuss your operational issues and support needs.
- K. **Nature of Assistance and Training.** You agree that we are not obligated to provide any training or assistance to your particular level of satisfaction, but as a function of our experience, knowledge, and judgment. You also acknowledge that we are not obligated to provide any services to you that are not set forth in this Agreement. If you believe we have failed to adequately provide any pre-opening services to you or to your employees, whether with respect to site selection, selection and purchase of equipment and supplies, training, or any other matter affecting the establishment of your Nail Studio, you must notify us in writing within thirty (30) days following the opening of your Nail Studio or you will be deemed to have conclusively acknowledged that all pre-opening and opening services required to be provided by us were sufficient and satisfactory in your judgment, and complied with all representations made to you.

9. APPEARANCE AND OPERATION OF YOUR NAIL STUDIO

The Marks and System licensed to you represent valuable goodwill distinctive of our business and reputation. We will promulgate, from time to time, standards of quality and service about the business operations of FRENCHIES studios so as to protect the distinction and goodwill represented and symbolized by the Marks and System. You must abide by those standards and the provisions set forth below unless we authorize otherwise in writing, but you remain responsible for the day-to-day operations and appearance of your Nail Studio at all times.

- A. **Construction.** Your Nail Studio must be developed in accordance with applicable laws, regulations, codes, and other governing requirements, as well as the mandatory specifications (the “**Mandatory Specifications**”) that we provide to you. You may not begin construction of your Nail Studio until you have received our written consent to your actual design for your Nail Studio. You will be required

to supply us with accurate site information for your proposed location. This information will include, but not be limited to, as-built drawings, surveys, technical data, construction documents, and site plans.

- i. Promptly after you have obtained possession of the site for your Nail Studio, you will:
 - (i) retain the services of a licensed and qualified architect or design professional(s) to create a complete set of detailed construction documents in strict accordance with our Mandatory Specifications and to complete construction of your facility in accordance with the Mandatory Specifications; (ii) retain the services of a general contractor; (iii) have prepared and submitted for our approval a site survey and basic architectural plans and specifications consistent with our Mandatory Specifications; (iv) purchase or lease, and then, in the construction of your Nail Studio, use only the building materials, equipment, fixtures, furniture, and signs we have approved; (v) complete the construction or remodeling using equipment, fixtures, furniture, and signage in full and strict compliance with the plans and specifications we approve, and with all applicable ordinances, building codes, and permit requirements without any alterations; (vi) obtain all customary contractors' sworn statements and partial and final waivers; and (vii) obtain all necessary permits, licenses, and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment, and premises, including, but not limited to, the Americans With Disabilities Act. If this Agreement represents the first FRENCHIES studio you will build, or if under any previous franchise agreement you or any of your affiliates had with us, you or any of your affiliates did not meet your obligations regarding the build-out of the previous FRENCHIES studio(s), we reserve the right to require you to retain the services of an architect or design company we select to assist you in submitting, processing, monitoring, and obtaining in a timely manner all necessary construction documents, licenses, and permits, and to assist you through construction, and you will be responsible for payment for their services.
- ii. If your Nail Studio is not constructed strictly according to the plans we have approved and our Mandatory Specifications, we may not approve you to open for business. If we do not approve your opening, you will have thirty (30) days from the date we deny your requested approval for opening to correct all the construction problems so that your Nail Studio is strictly constructed according to our approved plans. If you fail to correct the problems within this 30-day period, we may immediately terminate this Agreement. If your Nail Studio opening is delayed for these or any other reasons, you will be responsible for any losses or costs relating to the delay.
- iii. You will make no changes to any building plan, design, layout, or decor, or any equipment or signage in your Nail Studio without our prior written consent, and these changes may not be contrary to the Mandatory Specifications.

B. Signs. You will prominently display, at your expense, both on the interior and exterior of your Nail Studio premises, signs in form, color, number, location, and size, and containing Marks as we designate and a sign in a conspicuous location that your Nail Studio is "independently owned and operated?" We also may require you to use illuminated signs. You will obtain all permits and licenses required for the signs and will also be responsible for ensuring that all signs comply with all laws and ordinances. You will not display in or upon your Nail Studio premises any sign or advertising of any kind to which we object.

C. Services. You will conform to all quality and customer service standards prescribed by us in writing, provided that the standards are not specifically set for you, but are set for our entire system, or a specific region or market in which other FRENCHIES studios are operating.

- D. Maintenance of Premises.** You will paint and keep the interior and exterior of your Nail Studio premises in an attractive, clean, and sanitary condition. All equipment will be kept in good working order and will meet our quality standards.
- E. Approved Information System.** We may designate the information system used in your Nail Studio, including the cash register and computer hardware, software, other equipment and enhancements (the “**Information System**”). In that event, in connection with the approved Information System, you agree to the provisions set forth below.
- i. You will be required to acquire the right to use the Information System, obtain peripheral equipment and accessories, and arrange for installation, required maintenance, and support services, and interfacing of your Information System with our accounting system, all at your cost. A person we approve must perform installation.
 - ii. We will have the right at all times to access the Information System and to retrieve, analyze, download, and use all software, data, and files stored or used on the Information System. We may access the Information System in your Nail Studio or from other locations. You will store all data and information on the Information System.
 - iii. As upgrades to the hardware or software are developed, we may require you to obtain and install any or all of these upgrades. You are responsible for the cost of all upgrades.
 - iv. You must have e-mail and high speed Internet access capabilities at your Nail Studio location and management location.
- F. Payment of Amounts You Owe Us or Our Affiliates.** You agree that your obligation to pay all amounts owing to us and to our affiliates is independent of any other obligation either of us have in this Agreement, and that all amounts owing to us and to our affiliates, and to your other suppliers, lessors, and creditors, must be timely paid. You agree to sign and deliver to us, our bank(s), and your bank, as necessary, all forms and documents that we request to permit us to debit your account, either by check, via electronic funds transfer, or other means or methods as we may designate (“**Payment Methods**”) for all fees and payments due to us and to our affiliates. You will notify us at least twenty (20) days before closing or changing the account against which these debits are to be made. If the account is closed or ceases to be used, you will immediately provide all documents and information necessary to permit us to debit the amounts due from an alternative account. You acknowledge that these requirements are only a method to facilitate prompt and timely payment of amounts due and will not affect any obligation or liability for amounts owed.
- i. If any check that you submit to us is returned for insufficient funds, or if we are unable to collect funds via the Payment Methods due to insufficient funds, you will pay us an Insufficient Funds Fee of \$100 for each returned check and each time we were unable to collect monies via the Payment Methods.
 - ii. You grant us a first priority security interest in your receivables and equipment, whether now existing or hereinafter created, together with all proceeds of the assets. You authorize us to file one or more financing statements to evidence this security interest. However, we will subordinate our first priority interest to a lending institution that provides you financing for your Nail Studio.
- G. The FRENCHIES Home Page.** We will establish and maintain an Internet website or home page (the “**FRENCHIES Home Page**”) to advertise and promote the FRENCHIES franchises, consistent with the following:

- i. All features of the FRENCHIES Home Page, including the domain name, content, format, and links to other websites, will be determined by us in our sole discretion. We will also have the right to modify, suspend, or temporarily or permanently discontinue the FRENCHIES Home Page at any time, in our sole discretion. We and our affiliates will have the right to sell merchandise directly to retail and wholesale customers via the Internet under the “FRENCHIES” name and the Marks, to create a website or home page containing the “FRENCHIES” name and the Marks, and the exclusive right to reserve or to use “FRENCHIES” or any derivative or related or similar domain name or e-mail address (without regard to domain name suffix).
- ii. You may maintain your own web page, but only through our Frenchies Home Page (“**Your FRENCHIES Web Page**”). The FRENCHIES Home Page will be the hub for all studios. We will provide a mandatory template to you for Your FRENCHIES Web Page. You can develop Your FRENCHIES Web Page, but Your FRENCHIES Web Page must use the template we provide to you. After Your FRENCHIES Web Page has been developed, we will review and manage your page for you. Once complete, Your FRENCHIES Web Page will be linked to the FRENCHIES Home Page and maintained by us. All changes to the website will be done by us. Any changes must be submitted electronically to and approved by us.
 - a. Your FRENCHIES Web Page and any Social Media Site or other website approved by us must be operated and maintained by you in compliance with all provisions of this Agreement, including those regarding the use of confidential and proprietary information, as well as any and all operating procedures, policies, standards, and requirements we may specify from time to time. You must also maintain Your FRENCHIES Web Page and any Social Media Site approved by us in compliance with all applicable laws, rules, and regulations, including but not limited to those applicable to copyright and trademark, privacy, anti-defamation, and advertising and endorsements.
 - b. You may not advertise any goods or services on Your FRENCHIES Web Page or on any Social Media Site that you do not offer at your Nail Studio, or that we have not approved, without our written approval.
 - c. We reserve the right at any time, in our sole discretion, to require you to remove, delete, or modify Your FRENCHIES Web Page, any Social Media Site, or any other website or homepage, and to remove, delete, or modify any content or posts thereon.
 - d. You may not use any of the Marks in any Internet website, home page, or Social Media Site, including Your FRENCHIES Web Page, without our prior written consent.
 - e. We retain sole ownership of Your FRENCHIES Web Page, including the domain name and any content and e-mail addresses, and all this information will automatically terminate and revert to us at the time this Agreement expires or is terminated. In addition, we will retain sole ownership of any Social Media Site, including any content on the Site and domain names related to the Site, which includes the words “FRENCHIES,” or any of the other Marks, or a word, phrase, or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name, profile, or page reference (a “**FRENCHIES Social Media Site**”), and all this information will revert to us at the time this Agreement expires or is terminated.

- f. You hereby release and agree to hold us, and our officers and directors, harmless from and against any and all claims, liability, damages, or causes of action of any nature, arising from, or in connection with, the creation, operation, or maintenance of the FRENCHIES Home Page, including, if applicable, Your FRENCHIES Web Page, unless the liability arises out of our gross negligence or intentional acts.

H. Technology Fee. Beginning at the opening of your Nail Studio, you will be required to pay to us (or our designee) our then-current Technology Fee for the license and ongoing support for our designated studio management software, for email hosting, for website maintenance, and for maintaining Your FRENCHIES Web Page. If we do not directly provide these services, you will be required to sign a separate agreement with our designated provider of these services (which may be an affiliate of ours).

I. Compliance with Our Standards. You will operate your Nail Studio through strict adherence to any mandatory standards, specifications, and policies of the System, including without limitation all mandatory provisions of the Manual, as they exist from time to time, in order to ensure compliance with the quality standards of the System. However, you will at all times be responsible for the conduct of the day-to-day operation of your Nail Studio and for the terms of employment for your employees.

- i. You acknowledge that the mandatory standards, specifications, and policies we establish are not aimed at the day-to-day operation of your studio, which will solely be within your control, but are merely intended to preserve the goodwill of the System and Marks.
- ii. Periodically, as we deem appropriate, a representative of ours may visit your Nail Studio to ensure compliance with our required standards, specifications, and procedures. You will allow our representative to inspect the condition and operation of your Nail Studio and all areas of your Nail Studio at any time during your business hours. These inspections may include, without limitation, conducting any type of audit or review necessary to evaluate your compliance with all required payments, standards, specifications, or procedures.
 - a. We will provide you a copy of the report at your request. If your Nail Studio does not receive a passing score from a visit, a new inspection will be conducted. This process will be repeated until you have received a passing score. At our option, you must pay us a failed inspection fee we establish for each failed inspection to defer any costs we incur in re-inspecting your Nail Studio after the first inspection. This fee will be payable in the manner we specify.
 - b. We may, from time to time, make suggestions and give mandatory instructions about your operation of your Nail Studio, as we consider necessary or appropriate to ensure compliance with the then-current quality standards of the System and to protect the System's goodwill and image.
 - c. You expressly agree that these visits will not imply that you are in compliance with your obligations under this Agreement or under the law or that we waive our right to require strict compliance with the terms of this Agreement or the Manual. Furthermore, these visits will not create any responsibility or liability in our part.
 - d. If you request that we make additional visits to your Nail Studio, you will pay the fees we establish for those visits.
- iii. If you fail to maintain the premises of your Nail Studio in a condition that satisfies our reasonable requirements, or if you otherwise fail to comply with any provision of this

Agreement, we may, upon not less than three (3) days' notice to you, order or accomplish the cleaning of the premises or designate one of our representatives to assist you in fulfilling your obligations under this Agreement. You will be responsible to pay us for all costs we incur in doing so and all fees we set for providing assistance to you. Our action in exercising this option does not relieve you from your obligation to properly maintain the premises of your Nail Studio and to comply with the terms of this Agreement, each of which will be your sole responsibility.

- J. Compliance with Laws.** You will, at your expense, comply with all applicable local, state, federal, and municipal laws, ordinances, rules, and regulations pertaining to the operation of your Nail Studio, including, without limitation, any and all licensing and bonding requirements, health and safety regulations, and the Americans with Disabilities Act. You will, at your expense, consult an attorney to obtain advice about compliance with all federal and state licensing laws and all other laws relating to the operation of your Nail Studio. Further, you will, at your expense, be exclusively responsible for determining the licenses and permits required by law for your Nail Studio, for filing, obtaining, and qualifying for all licenses and permits, and for maintaining all necessary licenses and permits throughout the term of this Agreement.
- K. Payment of Liabilities.** You will timely pay all of your obligations and liabilities, including, without limitation, those due and payable to us and our affiliates and to your suppliers, lessors, and creditors.
- L. Taxes.** You will promptly pay all federal, state, and local taxes arising out of the operation of your Nail Studio. We will not be liable for these or any other taxes and you will indemnify us for any taxes that may be assessed or levied against us that arise or result from your Nail Studio, including any taxes imposed by your state on any royalties or other amounts you are required to pay to us and our affiliates.
- M. Personnel.** You are responsible for hiring personnel sufficient to operate your Nail Studio. You must, at your cost, conduct criminal background checks on each employee (unless prohibited by law) before they begin providing any services in your Nail Studio. In addition:
- i. The people you retain to work in your Nail Studio will be your agents and employees. They are not our agents or employees and we are not a joint employer of these people. It will be up to you to determine who to retain, how many people to retain (subject to any minimum staffing requirements we may prescribe), how you compensate these people, terms of employment and working conditions for your employees, when and how to discipline the people you hire, and when and how to terminate the people you hire. You are required at all times to comply with all applicable employment laws. We will not have any duty or obligation to operate your Nail Studio, to direct your employees, or to oversee your employment policies, procedures, or practices. The fact we offer training to your employees from time to time does not relieve you from the primary responsibility to assure your employees are trained properly.
 - ii. You will designate an individual to serve as the Principal Operator of your Nail Studio. The Principal Operator will devote his or her best efforts to the supervision and conduct of the development and operation of your Nail Studio. The Principal Operator, and anyone owning a controlling interest in your Nail Studio if other than the Principal Operator, must complete our initial training requirements and all additional training as we may reasonably designate.
 - iii. You will be solely responsible for all wages, travel, and living expenses, and all other costs incurred by you and your employees in connection with any training or instruction that we provide.

- iv. You will obtain from each person you hire as a technician, as Principal Operator, and as Studio Coordinator or Studio Manager of your Nail Studio (and all other persons performing similar functions, regardless of their title), a Confidentiality and Non-Competition Agreement, enforceable by you and us, and in a form we approve, in which they agree, among other things, to maintain in confidence all confidential information and trade secrets we provide to them, not to use any of the Names and Marks except in the performance of their duties in the Nail Care Business, and to refrain, for two (2) years after they leave your employment, from providing nail care within three (3) miles of your Nail Studio, or for any other FRENCHIES studio that is located within twelve (12) miles of your Nail Studio.
- v. You will not retain or hire any person employed at another FRENCHIES studio—or who was employed at another FRENCHIES studio within ninety (90) days of you retaining or hiring that person—to become an employee of (or provide services to) the Nail Studio (or any other business in which you have an ownership interest of ten percent (10%) or more) without the consent of the owner of that other FRENCHIES studio.

N. Photographs. We will have the right to photograph and make video or digital recordings of your Nail Studio premises and your employees at all reasonable times. We will have the right to use all photographs and videos or digital recordings of your Nail Studio for purposes we deem appropriate, including, but not limited to, use in training, advertising, marketing, and promotional materials, and as evidence in any court or arbitration proceeding. To the extent the consent of any of your employees or others is required for our use of these photographs and recordings for commercial purposes, you will use your best efforts to obtain these consents. Neither you nor your employees will be entitled to any right to be compensated by us, our advertising agencies, or other FRENCHIES franchisees for any use of the photographs or recordings.

O. Ownership of Information. All of the information we or our affiliates obtain from you or about your Nail Studio, and all information in your records or ours about the customers of your Nail Studio (the “**Information**”) and all revenues we derive from the Information will be our property. However, you may at any time during the term of this Agreement use in the operation of your Nail Studio (but for no other purpose), to the extent lawful and at your sole risk and responsibility, any information that you acquire from third parties in operating your Nail Studio, including customer data. The Information (except for information you provide to us or our affiliates about you and your affiliates, including your respective officers, directors, shareholders, partners, or equity members of your entity) will become our property, which we may use for any reason we deem necessary or appropriate in our discretion. You hereby authorize your payment processor to release the information to us at any time. After termination or expiration of this Agreement, you will no longer use any of the Information, except to comply with your post-term obligations under this Agreement, and you authorize your payment processor to release the Information exclusively to us and our designees.

P. Manual. You will operate your Nail Studio in strict accordance with all mandatory provisions of the Manual to which we will provide you access. You will treat the Manual as confidential, and will use all reasonable efforts to maintain the Manual as secret and confidential. You will use the Manual only in the operation of your Nail Studio. The Manual will remain our sole property. We may from time to time revise the contents of the Manual. You agree to comply with each new or changed standard. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by us will control.

Q. Notices of Default: Lawsuits or Other Claims. You will immediately notify us of—and deliver to us a copy of—any notice about a breach, default, claim, lawsuit, administrative or agency proceedings

or investigations, or other actions or proceedings relating to your Nail Studio. Upon request from us, you will provide additional information as may be required by us about the same.

- R. Your Dealings with Us and Our Affiliates.** You acknowledge that when we are required to perform any services for you, we may use any third parties, including affiliates of ours, to perform those services. If you are required to pay us a fee for those services, we may have you pay that fee directly to the affiliate or third party that performs the service. However, if you are not required to pay us a fee for the service, you will not be obligated to pay any parties we contract with for services that we are required to provide to you without charge under this Agreement. We (and our affiliates) may also receive rebates or compensation from other parties in connection with the provision of such services.
- S. Purchases.** You will purchase only the types, models, or brands of fixtures, furniture, equipment, inventory, supplies, and other items that we approve for FRENCHIES studios as meeting our standards for quality, design, warranties, appearance, function, and performance. Although we do not do so for every item, we have the right to approve the manufacturer of any item used in the operation of your Nail Studio. You will not install or maintain at your Nail Studio any newspaper racks, video games, jukeboxes, gaming machines, gum machines, vending machines, video, or similar devices without our, and any necessary governmental, prior written approval. We may require you, in our sole discretion, to purchase certain fixtures, furniture, equipment, inventory, supplies, services, and other items used or offered at your Nail Studio from suppliers who have been approved by us, in which case we will provide you with a list of approved suppliers.
- i. You acknowledge and agree that certain products, supplies, or other services you may be required to purchase for use in the operation of your Nail Studio may only be available exclusively from us or our affiliates, or from other mandatory suppliers or vendors that we approve, in our sole discretion.
 - ii. You must purchase all of the nail care equipment you use in your Nail Studio, and all retail products you sell in your Nail Studio, from us or from our designated suppliers. Payment will be due on all purchases before shipment.
 - iii. THOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO FIXTURES, FURNITURE, EQUIPMENT (INCLUDING WITHOUT LIMITATION ANY AND ALL REQUIRED COMPUTER SYSTEMS), SUPPLIES, INVENTORY, OR OTHER APPROVED ITEMS.
- T. Taxes on Fees.** If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you are required to pay an additional amount equal to the amount of this tax. (For purpose of clarification, this does not apply to any federal or Colorado income taxes that we or our affiliates are required to pay.)
- U. National and Regional Accounts.** We, or others acting on our behalf, may from time to time solicit companies or organizations to offer fixed pricing packages to their employees. You will have the right to participate in, and receive the benefits of, all programs we establish with companies or organizations that have employees in your market. You will have the right each calendar year, by October 31, to “opt out” of participating in these programs for the next year. If you do not opt out by the means we specify, then you must honor the pricing that we quote for any employees of these companies or organizations who seek to use the services of your Nail Studio. Once you opt out, you will not participate in any new programs (unless and until you opt in again), but you must continue to

comply with the program requirements for any programs that were in effect before the start of the year for which you exercised your right to opt out of the programs.

10. CONFIDENTIAL INFORMATION AND IMPROVEMENTS

- A.** You acknowledge that all the information you have now or obtain in the future about the System and the concepts and methods of promotion franchised under this Agreement is derived from us under this Agreement, and that you will treat the information in confidence. You agree never to, directly or indirectly, engage in or abet the misappropriation (as the term “misappropriation” is defined in the Colorado Uniform Trade Secrets Act, C.R.S. § 7-74-101 *et seq.*), or the disclosure, divulgence, or distribution of all or any part of the System and the concepts and methods of promoting franchises under this Agreement. You will disclose the confidential information only to those of your employees as must have access to it in order to operate your Nail Studio and use it only for the operation of your Nail Studio. At our request, you will be required to deliver to us confidentiality agreements and non-compete agreements in a form satisfactory to us from your owners, the spouses of your owners, and your employees. The scope of the confidentiality agreements will be consistent with the provisions of this Section, and the scope of the non-compete agreements will be consistent with the provisions of **Section 17** of this Agreement.
- B.** Notwithstanding any provision of **Section 10.A**, at your discretion, you may allow any financial institution that has loaned money to you or to your business to have access to your books and records to confirm your billings, collections, receivables, and any other financial information you have provided to the financial institution.
- C.** If you conceive or develop any improvements or additions to the System, new trade names, trade and service marks, or other commercial symbols related to your Nail Studio, or any advertising and promotion ideas related to your Nail Studio (“**Improvements**”), you will fully disclose the Improvements to us without disclosure of the Improvements to others, and you will obtain our written approval before using the Improvements. Any Improvement that we approve may be used by us and all our other franchisees without any obligation to pay you royalties or similar fees. You will assign Improvements to us, and hereby do assign, without charge, any rights, together with the goodwill associated with the Improvements, including the right to grant sublicenses to any such Improvement. We, at our discretion, may make application for and own copyrights, trade names, trademarks, and service marks relating to any Improvement. We also may consider the Improvement as our property and trade secret. We will, however, authorize you to use any Improvement authorized generally for use by our other franchisees.

11. INSURANCE; INDEMNIFICATION

- A. Insurance.** You alone will be responsible for any claim, action, loss, damage, liability, injury, or death arising out of, or relating to, the operation of your Nail Studio or arising out of, or relating to, your acts or omissions or the acts or omissions of any of your agents, employees, or contractors in connection with the operation of your Nail Studio. You agree to indemnify and hold us and our affiliates and our respective officers and directors harmless against and from any and all claims, actions, losses, liability, damages, injuries, or deaths, including costs and reasonable attorneys’ fees. You will obtain and maintain in force and pay the premiums for general liability insurance with complete operations coverage, broad form contractual liability coverage, property damage, and other insurance (including bonds) in types as we may require or as required by law from time to time. All policies will have minimum limits we may prescribe from time to time, and will be with carriers who have minimum ratings that we may prescribe from time to time. The insurance policies will expressly protect both you and us and will require the insurer to defend both you and us in any action you will submit to us, within thirty (30) days of our request, any and all loss ratios or other information we

request in connection with such insurance policies. You will furnish to us a certificate of insurance as set forth above, naming us as an additional insured, and providing that the policy will not be canceled, amended, or modified except upon thirty (30) days' prior written notice to us. At our request, you will deliver to us original certificates of insurance and evidence of policy renewals at least thirty (30) business days before expiration. You will have all policies of insurance provide that the insurance company will have no right of subrogation against either party to this Agreement or their respective agents or employees. Maintenance of the insurance requirement will not relieve you of the obligations of indemnification. If you fail to obtain or maintain in force any insurance as required by this Section or to furnish any certificate of insurance required under this Agreement, we may (but have no obligation to), in addition to all other available remedies, obtain the insurance or certificates, and you will promptly reimburse us for all insurance premiums and other costs incurred in obtaining the insurance, including an administrative fee for our time in obtaining the coverage for you. You assume all risks in connection with the adequacy of any insurance or self-insurance program and waive any claim against us for any liability costs or expenses arising out of any uninsured claim, in full or in part, of any nature whatsoever.

B. Independent Contractor Relationship; Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Nail Studio, and neither party to this Agreement is the agent, principal, partner, employee, employer, or joint venture partner of the other party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee, or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards, and contractual agreements entered into by Franchisee shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, that Franchisee operates Franchisee's Nail Studio as an independently owned and operated Franchised Business and that Franchisee independently owns and operates the Nail Studio as a System franchisee. Nothing in this Agreement authorizes Franchisee to make any contract, agreement warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor.

~~B.C.~~ Your Indemnification. ~~We and you are independent contractors. Neither we nor you will make any agreements, representations, or warranties in the name of or on behalf of the other or that our relationship is other than franchisor and franchisee. Neither we nor you will be obligated by or have any liability under any agreements, representations, or warranties made by the other nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Nail Studio.~~ You assume sole and complete responsibility for and will defend at your own cost and indemnify, reimburse, and hold harmless us, our affiliates, and our respective officers and directors from and against all loss, costs, expenses, obligations, and damages and liabilities (including defense costs) arising directly or indirectly out of the development or operation of your Nail Studio, including, without limitation, claims relating to your employment practices, equipment selection, and floor plan. You will have the right to defend any claim against you. We, using our own counsel, by notice to you, may control any matter in which we are named or directly affected, but this will not affect your liability to pay reasonable attorneys' fees we incur in defending ourselves, which obligation is part of your indemnification obligation. The indemnities and assumptions of liabilities and obligations set forth in this Agreement will continue in full force and effect subsequent to the expiration or termination of this Agreement.

~~G.D.~~ Our Indemnification. We will indemnify you against and reimburse you for any obligations or liability for damages payable to third parties and attributable to agreements, representations, or

warranties made by us, or caused by our negligence or willful action (so long as the obligations or liabilities are not asserted on the basis of theories of agency, apparent agency, vicarious liability, or negligent failure to compel your compliance with the provisions of this Agreement, the Manual or any other agreement between you and us), and for costs reasonably incurred by you in the defense of any such claim brought against you or in any action in which you are named as a party, provided that we will have the right to participate in and, to the extent we deem necessary, to control any litigation or proceeding which might result in liability of or expense to you subject to indemnification.

12. FINANCIAL STATEMENTS AND AUDIT RIGHTS

A. Financial Information, Reports, Inspections, and Audits. Following the opening of your Nail Studio, by Monday of each week, you will provide us with weekly sales information from the Nail Studio. In addition, within thirty (30) days following your fiscal year end, you will provide us with copies of your financial statements (reviewed by your accountant), including an income statement for the fiscal year just ended and a balance sheet, cash flow statement, and any other document accompanying your financial statements, as of the end of the fiscal year, which financial statements will have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. We will also have the right to request other financial statements, reports, and information from you during the year, and you will deliver those financial statements, reports, and information to us when, and in the form and manner, we require.

~~i. If you fail to timely provide any information to us, you will be required to pay us a late reporting fee of \$100 per violation. This payment does not, however, excuse your compliance with this obligation, and your failure to timely report the information will be a material default under this Agreement.~~

ii.B. Review Rights. You will make all of your financial books and records available to us and our designated representatives at all reasonable times for review. Your financial books and records for each fiscal and calendar year will be kept in a secure place and will be available for review by us for at least five (5) years after the end thereof.

iii.C. Audit. We will have the right to audit or cause to be audited any financial information you provide to us, and your books, records, and sales and income tax returns. If any audit discloses an understatement of the Gross Revenues of your Nail Studio for any period or periods, you will, within five (5) days of receiving the audit report, pay to all Royalty Fees and General Advertising and Marketing Fund Contributions due on the previously unreported Gross Revenues, plus late payment charges. In addition, if an understatement for any period equals two percent (2%) or more of the Gross Revenues of your Nail Studio for the period, you must reimburse us for the cost of the audit, including, without limitation, the charges of the person auditing your records, and their travel and living expenses.

13. ASSIGNMENT OF FRANCHISE AGREEMENT

A. By Us. We may transfer or assign this Agreement or any or all of the rights, interests, benefits, or obligations arising under it without restriction. Upon any transfer or assignment of this Agreement by us, we will be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of the transfer or assignment.

B. Conditions to Your Transfer or Assignment. This Agreement, and your rights and obligations under it, are and will remain personal to you. As used in this Agreement, the term “**Transfer**” will mean any sale, lease, assignment, gift, pledge, mortgage, or any other encumbrance, transfer by bankruptcy, transfer by your disability or death, or by judicial order, merger, consolidation, share

exchange, transfer by operation of law, or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets used to operate your Nail Studio, or of any interest in you, or if you are a corporation, partnership, limited liability company, or other entity, a transfer, pledge, assignment, or other disposition of direct or indirect control or ownership of fifty percent (50%) or more of any interest in your entity. In addition, if there are two (2) individuals signing this Agreement as Franchisee, and one (1) of those individuals is no longer involved in the ownership of your Nail Studio, the withdrawal of that person will be considered a Transfer. A Transfer will also be deemed to occur when there are more than two (2) people listed as the Franchisee and there is a change in the ownership of your Nail Studio such that less than a majority of the original signators continue to have a majority interest in the equity of the business. You (and your shareholders, partners, and members) will not directly or indirectly make a Transfer without our prior written consent and any transfer will be subject to our right of first refusal, as set forth in **Section 19** below. Unless otherwise provided in this Agreement, we will not unreasonably withhold, delay, or condition our consent to a Transfer, subject to all of the following conditions being satisfied:

- i. You are in full compliance with this Agreement, you have no uncured defaults, and all your debts and financial obligations to us and our affiliates are current;
- ii. You provide us with all information we may require about the proposed transaction (including a copy of the purchase agreement and all related documents), and the proposed transferee;
- iii. We are satisfied that the proposed transferee (and if the proposed transferee is an entity, all holders of any interest in that entity) meets all of the requirements for our new franchisees, including, but not limited to, good reputation and character, business experience, and financial strength, credit rating and liquidity, and that the sale price is not excessive;
- iv. You sign a written agreement in a form satisfactory to us in which you and your investors covenant to observe all applicable post-term obligations and covenants contained in this Agreement;
- v. The proposed transferee enters into a new franchise agreement with us, on the terms we then generally offer to new franchisees (including fees payable and size of territory); *provided, however,* that no new initial franchise fee will be required to be paid, and further provided that the term of that franchise agreement, unless otherwise agreed, will be the remaining term of your franchise agreement;
- vi. The proposed transferee agrees in writing to perform maintenance, remodeling, and re-equipping of your Nail Studio that we determine necessary to bring your Nail Studio in compliance with our then-current standards;
- vii. Before the date of the proposed Transfer, the proposed transferee's Principal Operator successfully completes training and instruction we deem necessary;
- viii. You and all holders of an interest in you sign a general release, in substantially the form of **Exhibit B** to this Agreement, releasing, to the fullest extent permitted by law, all claims that you or any of your investors may have against us and our affiliates, including our and their respective shareholders, officers, directors, and employees, in both their individual and corporate capacities or any further obligations we may have to you; and

ix. Before the Transfer, you pay us a transfer fee. If the Transfer occurs before your Nail Studio has opened for business, the transfer fee will be Ten Thousand Dollars (\$10,000). If the Transfer occurs after your Nail Studio is open, then the transfer fee will be Five Thousand Dollars (\$5,000).

~~ix.~~ We may expand upon these conditions for transfer in the Manual.

You consent to our releasing to any proposed transferee any information about your Nail Studio that you have reported to us, or that is in our files or otherwise available to us, including (but not limited to) financial information.

If a transfer or assignment is caused by your death or incapacity (including the death or incapacity of any person directly or indirectly owning fifty percent (50%) or more of an interest in the entity that is the franchisee under this Agreement), the provisions of this Subparagraph must be met by the heir or personal representative succeeding to your interest; *provided, however*, if the heir or personal representative assigns, transfers, or sells its interest in the Franchise and in your Nail Studio within one hundred twenty (120) days after your death or incapacity, the transferee, and not the heir or personal representative, must comply with the provisions of this Subparagraph.

Nothing in this Section will be construed as prohibiting your interests from being pledged as security to an institutional lender who has provided financing to or for your Nail Studio, provided the institutional lender accepts the security interest subject to our conditions.

- C. Acknowledgement of Restrictions.** You acknowledge and agree that the restrictions imposed on transfers are reasonable and necessary to protect the goodwill associated with the System and the Marks, as well as our reputation and image, and are for the protection of us, you, and all other franchisees that own and operate FRENCHIES studios.

14. OUR TERMINATION RIGHTS

- A. Without Notice.** You will be in default and we may, at our option, terminate this Agreement, without affording you any opportunity to cure the default, effective upon delivery of notice of termination to you, following the occurrence of any of the following events:
- i. You are liquidated or dissolved;
 - ii. Your Nail Studio is not constructed strictly according to the plans we have approved and you do not remedy the deficiencies within thirty (30) days after notice from us;
 - iii. You fail to operate for seven (7) consecutive days (unless prevented from doing so by fire, flood, or acts of nature), or otherwise abandon your Nail Studio, or forfeit the right to do or transact business in the jurisdiction where your Nail Studio is located, or lose the right to possession of the premises in which your Nail Studio operates;
 - iv. You or any of your owners make an unauthorized Transfer under this Agreement;
 - v. You or any of your owners are proven to have engaged in fraudulent conduct, or are convicted of—or plead guilty or no contest to—a felony or a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated therewith;

- vi. You are given three (3) or more notices of being in material violation of any of the terms or requirements of this Agreement within any twelve (12) month period, whether or not the defaults are timely cured after notice;
- vii. You misuse or make any unauthorized use of the Marks and do not cease the misuse or unauthorized use within twenty-four (24) hours' notice from us;
- viii. You maintain false books or records or submit any false or misleading application, statement, or report to us, whether in applying for the franchise or during the term of this Agreement; or
- ix. You, by act or omission, materially impair the value of, or the goodwill associated with, any of the Marks or the System.

B. With Notice and Failure to Cure. Except for those defaults provided for under **Section 14.A** above, you will be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures, or requirements imposed by this Agreement or any other agreement you or any of your affiliates have with us or with any of our affiliates, or in any Manual, policy, or procedure statement or other written document provided by us, or to carry out the terms of this Agreement in good faith. Before we terminate this Agreement as a result of these defaults, we will provide you with thirty (30) days' written notice of your default. If the defaults specified in such notice are not cured within the thirty (30) day period (either by you or by any financial institution that has loaned money to you or to your business), we may terminate this Agreement upon the expiration of the thirty (30) day period without further notice. These defaults will include, without limitation, the occurrence of any of the following events:

- i. You fail to construct, remodel, and commence operating your Nail Studio within the time provided for in **Section 1.A.** of this Agreement;
- ii. You fail, refuse, or neglect to promptly pay when due any monies owing to us, to our affiliates, or to other creditors you have, or to submit the financial or other information required under this Agreement;
- iii. A threat or danger to public health or safety results from the construction, maintenance, or operation of the Nail Studio;
- iv. You offer or sell non-approved products or services; or
- v. You, by act or omission in connection with the operation of your Nail Studio, permit a continuing violation of any applicable law, ordinance, rule, or regulation of a governmental body; *provided, however,* that if the act or omission damages the goodwill associated with the System or the Marks, we will have the right to terminate this Agreement if you do not cure the default within twenty-four (24) hours after notice from us.

C. Standard Default Fee.

C.D. Applicable Law. If the provisions of this Section are inconsistent with applicable law, the applicable law will apply.

D.E. Pre-termination Options. Before the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliates, fail to comply with any term of this Agreement, or fail to notify us that

your Nail Studio is closing, then in addition to our right to terminate this Agreement or to bring a claim for damages, we have the option to:

- i. remove the listing of your Nail Studio from all advertising published or approved by us;
- ii. cease listing your Nail Studio on our FRENCHIES Home Page, and to discontinue any links from that site to any site for your Nail Studio, including but not limited to Your FRENCHIES Web Page;
- iii. prohibit you from attending any meetings or programs held or sponsored by us;
- iv. terminate your access to any computer system or software we own, maintain, or license to you (whether licensed by us or by one of our affiliates);
- v. suspend all services we or our affiliates provide to you under this Agreement or otherwise; and
- vi. contact your landlords, lenders, suppliers, and customers about the status of your operations and provide copies of any default or other notices to your landlords, lenders, and suppliers.

Our actions, as outlined in this Section, may continue until you have brought your accounts current, cured any default, and complied with our requirements, and we have acknowledged the same in writing. The taking of any of the actions permitted in this Section will not suspend or release you from any obligation that would otherwise be owed to us or our affiliates under the terms of this Agreement or otherwise. Further, you acknowledge that the taking of any or all these actions on our part will not deprive you of the most essential benefits of this Agreement, and will not constitute a constructive termination of this Agreement.

15. YOUR TERMINATION RIGHTS: NOTICE REQUIRED

You may terminate this Agreement upon ten (10) days' notice to us if we violate any material obligation to you and fail to cure the violation within thirty (30) days after our receipt of written notice from you; *provided, however*, that you must be in compliance with the Agreement at the time of giving each notice and at the time of termination. Your written notice of our alleged violation must identify the violation, demand that it be cured, and indicate your intent to terminate this Agreement if it is not cured.

16. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted to you under this Agreement will terminate, the franchise will revert to us, and you will have the obligations set forth below, which obligations survive the expiration or termination of this Agreement, along with any other provisions of this Agreement which by their nature may or are to be performed following expiration or termination of this Agreement:

- A.** You will immediately cease to operate the business franchised under this Agreement, and will not thereafter, directly or indirectly, represent to the public or hold yourself out as a FRENCHIES franchisee with respect to the business.
- B.** You will immediately and permanently cease to use, in any manner whatsoever, all confidential information, approved Information System and related software, methods, procedures, and techniques used by or associated with the System, and the Marks and distinctive forms, slogans, signs, symbols, logos, and devices associated with the System, as well as any name, mark, symbol, logo, or slogan similar to any of the Marks. You will also specifically authorize us to physically remove any signage

bearing any of the Marks that you may fail to remove. Further, if we elect to remove the signage, you will, upon demand, reimburse us for any costs we incur in doing so.

- C. You will immediately return to us the Manual, all copies or excerpts thereof, and any property held or used by you that is owned by us and will cease to use, and either destroy or convey to us, all signs, advertising materials, displays, stationery, forms, and any other materials that bear or display the Marks.
- D. You will take such actions as may be necessary to cancel any FRENCHIES Social Media Site (subject to **Section 16.H** below), and any assumed name, domain name, account, profile, username, e-mail address, or similar registration that contains the Mark “FRENCHIES” or any other Mark, and will immediately and permanently refrain from and cease all use of the Mark “FRENCHIES” or any other Mark on or in any domain name, username, account name, website, web page, social media, or social networking site of any kind. You agree and acknowledge that your continued use of the Marks after the expiration or termination of this Agreement will be without our consent and will constitute an “exceptional case” under federal trademark law (15 U.S.C. § 1117) entitling us to recover treble damages, costs, and reasonable attorneys’ fees.
- E. You will immediately vacate the Nail Studio premises if we exercise our rights under the Collateral Assignment of Lease attached as **Exhibit C**.
- F. You will, within ten (10) days after termination or expiration of this Agreement, make modifications and alterations to your Nail Studio premises as may be necessary to distinguish the appearance of the premises from all attributes of the System and will make specific additional changes thereto as we may request. You agree that, at a minimum, these modifications will include: (i) removal of all signage; (ii) alteration of the color scheme and decor; and (iii) discontinuation of the use of any item containing any of the Marks.
- G. Within five (5) days after termination, you will pay to us all amounts owed to us under this Agreement, including the Weekly Royalty Fees that would be due through the date this Agreement was scheduled to expire. Further, if this Agreement is terminated for any reason other than as a result of a material breach of this Agreement by us that is not cured within thirty (30) days following notice from you, these sums will include all damages, costs, and expenses, including reasonable attorneys’ fees, incurred by us as a result of the default and the termination. You agree that until the obligations are paid in full, you hereby grant us a lien against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by you and located on your Nail Studio premises on the date this Agreement terminates or expires and authorize us to file financing statements and other documents we deem appropriate to perfect the lien.
- H. If requested by us, you will take all further action and execute all documents necessary to convey and assign to us all telephone and fax numbers that have been used in the operation of your Nail Studio, as well as any other registrations or listings for any FRENCHIES Social Media Sites, and other domain names and e-mail addresses that include the words “FRENCHIES” or, if we do not so request, you will cease all use of the telephone numbers, FRENCHIES Social Media Sites, and any domain names and e-mail addresses that include the words “FRENCHIES.”
- I. You will comply with the covenants contained in this Agreement, including, but not limited to, the covenants not to compete and the covenants not to disclose trade secrets or confidential information.
- J. We may, if you fail or refuse to do so, execute in your name and on your behalf, any and all actions and documents that may be necessary to effect your obligations under **Sections 16.D** and **16.H**, and

you hereby irrevocably appoint us as your attorney in fact to do so, which appointment is coupled with an interest.

- K. You will furnish us with written evidence satisfactory to us of compliance with all the obligations set forth in this Section within thirty (30) days after termination or expiration of this Agreement.

17. YOUR COVENANTS NOT TO COMPETE

- A. **During Term.** You will not, directly or indirectly, during the term of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, or member of any other person, firm, entity, partnership, corporation, or company, own, operate, lease to or lease from, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in owning, operating, or managing any business that offers nail care services, wherever located, whether within the Protected Territory or elsewhere.
- B. **After Expiration, Termination, or Transfer.** You will not, directly or indirectly for a period of two (2) years after the transfer by you, or the expiration or termination of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, lender, or joint venturer of any other person, firm, entity, partnership, corporation, or company, own, operate, lease to or lease from, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in offering nail care services, which is located within the Protected Territory or within a ten (10) mile radius of any FRENCHIES studio, wherever located, whether within the Protected Territory or elsewhere.
- C. **Reasonableness.** You agree that the scope of the prohibitions set forth in **Sections 17.A** and **17.B** are reasonable and necessary to protect us and the System (including other franchisees of the System). You agree that the prohibitions in **Section 17.A** must be very broad in order to prevent you from taking information, materials, and training we are providing to you on an ongoing basis and using them to either: a.) compete with us; or b.) preempt or otherwise restrict our ability to enter new markets. You agree that the time period and the scope of the prohibitions set forth in **Section 17.B** are the reasonable and necessary time and distance needed to protect us if this Agreement expires or is terminated for any reason. You also agree that you have many other opportunities available to earn a living, and that these restrictions will not preclude you from engaging in a lawful trade or business for which you otherwise have training or experience.
- D. **Exception.** The purchase of a publicly traded security of a corporation engaged in a competitive business or service will not in itself be deemed violative of this Section so long as you do not own, directly or indirectly, more than five percent (5%) of the securities of that corporation.
- E. **Relief.** You agree that damages alone cannot adequately compensate us if there is a violation of these noncompetitive covenants and that injunctive relief is essential for our protection. You therefore agree that in case of your alleged breach or violation of this Section, we may seek injunctive relief, in addition to all other remedies that may be available to us at equity or law. In addition, if you violate the restriction provided for in **Section 17.B**, the period of time during which the restriction will remain in effect will be extended until two (2) years after you cease violating the restriction.

18. ENFORCEMENT

- A. **Injunctive Relief and Attorneys' Fees.** We and you will each be entitled to the entry of temporary restraining orders and temporary and permanent injunctions to: (i) enforce your and our rights to terminate this Agreement for the causes set forth in **Sections 15** and **16** of this Agreement; and (ii) prevent or remedy a breach of this Agreement if that breach could materially impair the goodwill

associated with our or your business, including but not limited to, the enforcement of obligations upon termination of this Agreement and the enforcement of the non-compete provisions of this Agreement. You and we will also be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing these provisions. If we are successful in obtaining an injunction, or any other judicial relief or order from an arbitrator against you, or in successfully defending any claim you have brought against us, you will pay us an amount equal to all of our costs of prosecuting and defending the action, including reasonable attorneys' fees, costs of investigation, court and arbitration costs, and other litigation or arbitration expenses. Your and our respective rights to obtain injunctive or other equitable relief is in addition to any other right we or you may have under this Agreement. It will in no way limit or prohibit us from obtaining money damages from you if you breach this Agreement.

B. Peer Compliance Committee. We may establish a Peer Compliance Committee (the “**PCC**”) to review certain claims you or we may make against each other. Specifically, if we establish the PCC, and you feel we have violated any of our obligations under **Section 8** of this Agreement, you may submit your claim to the PCC. If we establish the PCC, and we believe you have violated any of your obligations under **Section 9** of this Agreement, we may submit that claim to the PCC. (Unless we each agree, no claims or violation of any other provision of this Agreement may be submitted to the PCC.)

- i. If we establish the PCC, we will also establish terms and procedures for the review of complaints by the PCC (the “**PCC T&P**”). If either of us submits a claim for violation of the foregoing sections to the PCC, the PCC will conduct a hearing and review the claim in accordance with the PCC T&P. If the PCC determines a breach has occurred, it may levy a fine against the breaching party, subject to maximum amounts set forth in the PCC T&P. If a party is found to be in breach and that party does not cure the breach within thirty (30) days after receipt of notice of the decision of the PCC, or such other reasonable period determined by the PCC (but not less than ten (10) days nor more than ninety (90) days after the decision is received by the party), the PCC will have the authority to levy additional fines in accordance with the PCC T&P. If either of us fail to pay a fine that is levied within ten (10) days following receipt of notice of the levy, that failure will be deemed a material breach of this Agreement.
- ii. The submission of claims to the PCC will not be the sole remedy for breach of **Sections 8** or **9** of this Agreement, and each of us may also pursue any other remedies for breach that are permitted under this Agreement.

C. Mediation. Except where it is necessary for either you or us to obtain equitable relief to preserve the goodwill of our respective businesses (including, but not limited to, the enforcement of obligations upon termination of this Agreement and the covenants not to compete contained in this Agreement), you and we each agree to enter into mediation of all disputes involving this Agreement or any other aspect of the relationship between us, for a minimum of four (4) hours, before initiating any legal action or arbitration against the other.

- i. Upon written notice by either you or us, to the other, of your or our desire to mediate, the party receiving the notice will select an independent entity that provides mediation services to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not name such an organization within ten (10) days from the date the notice of intention to mediate is received, then the other party may proceed as if this Section did not exist, or, at its option, make the selection of the organization to provide mediation services. If you or we select an organization that is unwilling to serve as mediator, then the other party may select the organization. Once the organization is designated and agrees to accept the

appointment as mediator, the organization will be directed to schedule a mediation proceeding at a time mutually convenient to us and to you. The mediation will be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If you and we cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable for both of us, given all of the claimed conflicts in dates. The person actually mediating the dispute will be required to have at least ten (10) years of experience as either a franchisee or franchisor (or as an officer of such an entity) or in franchise law. You and we will equally share the cost of the mediator. The mediator will select the location for the mediation, but unless you and we both agree otherwise, the mediation will be held in a metropolitan area with at least 250,000 persons that is not located within one hundred (100) miles of either your principal office or our principal office.

- ii. Except for the matters identified above where you or we are permitted to seek injunctive relief without first mediating the dispute, if either party initiates litigation or arbitration without complying with their obligation to mediate in accordance with this paragraph (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section), then upon petition of whichever of us has a lawsuit or arbitration proceeding brought against us, the court or arbitrator will dismiss the litigation or arbitration without prejudice, and award reasonable attorneys' fees and costs to the party seeking dismissal in an amount equal to the reasonable attorneys' fees and costs the party seeking dismissal incurred. If the court or arbitrator refuses for any reason to dismiss the action, then regardless of the outcome of the action, or of any award given in the action, the party initiating the litigation or arbitration will be responsible for all reasonable attorneys' fees and costs incurred throughout the litigation or arbitration by the other party as damages for failing to comply with the provisions of this Section.

D. Arbitration. Except insofar as you or we elect to enforce this Agreement by judicial process and injunction as provided in **Section 18.A**, all disputes and claims arising out of or relating to this Agreement, or to the breach thereof, or to any of our standards or operating procedures, or other obligation of either of yours or ours, or to the breach thereof (including any claim that this Agreement, any provision of this Agreement, any specification, standard, operating procedure or any other obligation of yours or ours is illegal, unenforceable or voidable), or any aspect of the relationship between you and us (even if additional persons are named as parties to such action), must be resolved by arbitration in Denver, Colorado, or if our principal office is not located in Colorado, then at the office of the American Arbitration Association located closest to our principal office. It is our intention that state laws attempting to void out of state forum selection clauses for arbitration be preempted by the Federal Arbitration Act and that arbitration be held in the place designated above.

- i. The arbitration will be held in accordance with the United States Arbitration Act (9 U.S.C. § 1 *et seq.*), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise agreements, if any; otherwise, the general rules of commercial arbitration).
- ii. The arbitrator appointed must have at least ten (10) years' experience in franchising or franchise law, and the arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers, and limitations of this Agreement. The arbitrator will have no authority to add, delete, or modify in any manner the terms and provisions of this Agreement. All findings, judgments, decisions, and awards of the arbitrator will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically

requested by the parties before the start of the arbitration hearing. The arbitrator will have the right to award or include in any award the specific performance of this Agreement, but will be required to file a reasoned brief with his or her award.

- iii. You and we each agree that any award from the arbitrator may be appealed under the Optional Appellate Arbitration Rules of the American Arbitration Association.
- iv. You and we acknowledge that judgment upon an arbitration order may be entered in any court of competent jurisdiction and will be binding, final, and nonappealable, except for mistakes of law, as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section.
- v. Unless this Agreement is terminated in accordance with the provisions of **Sections 15 or 16**, during the pendency of any arbitration proceeding, you and we will fully perform the requirements of this Agreement.
- vi. If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of **Section 18.A**, the arbitrability of the claim will be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration will be made by the arbitrator appointed in accordance with this Agreement.
- vii. All arbitration proceedings will be individual proceedings between you and us, and will not be conducted on a “class” basis, or include any other of our franchisees as named parties unless you and we each agree.

If, after either you or we institute an arbitration proceeding, one or the other asserts a claim, counterclaim, or defense, the subject matter of which, under statute or current judicial decision, is nonarbitrable for public policy reasons, the party against whom the claim, counterclaim, or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims, or defenses or proceed to litigate all claims, counterclaims, or defenses in a court having competent jurisdiction.

- E. Waiver of Punitive Damages.** We and you (and your owners and guarantors if applicable) agree to waive, to the fullest extent permitted by law, any right to, or claim for, any punitive or exemplary damages against the other and against any affiliates, owners, employees, or agents of the other and agree that in the event of a dispute between us, each of us will be limited to the recovery of any actual damages sustained by it.
- F. Venue.** We and you (and your owners and guarantors if applicable) each agree that if litigation is permitted under this Agreement, the sole forum for litigation arising under this Agreement, or any aspect of the relationship between us (even if additional parties are named as parties to that litigation) will be the state or federal courts of Colorado. Those actions must be exclusively venued either in the District Courts of Colorado, County of Denver, or the United States District Court for the District of Colorado. You and we each waive any objection you or we may have to either the jurisdiction or the venue of the court (except to the extent jurisdiction is preempted by the arbitration provisions of this Agreement), and you and we each consent to personal jurisdiction and venue in such court. However, if we are permitted to seek injunctive relief under this Agreement, we may, at our option, bring that action in the county in which your Nail Studio is located.

- G. Jury Waiver.** YOU AND WE EACH WAIVE THE RIGHT TO A TRIAL BY JURY. This waiver applies to all causes of action that are or might be included in any action, including claims related to the enforcement or interpretation of this Agreement, allegations of state or federal statutory violations, fraud, misrepresentation, or similar causes of action and it applies even if persons that are not a party to this Agreement are named as additional parties in the proceeding.
- H. Waiver of Collateral Estoppel.** The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having those disputes directly affect the contract or relationship between us. We and you therefore each agree that a decision of an arbitrator or court of law to which one of us is not a party will not prevent the person that was a party to the action from making similar arguments, or taking similar positions, in any action between us. You and we therefore each waive the right to assert that principles of collateral estoppel prevent either you or us from raising any claim or defense in an action between us if either you or we lost a similar claim or defense in another action.
- I. No Affiliate Liability.** No past, present, or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney, or representative of ours or of any of our affiliates will have any liability for: (i) any obligations or liabilities we have relating to or arising under this Agreement; or (ii) any claim against us based on, in respect of, or by reason of, the transactions contemplated in this Agreement. This provision will not, however, affect any right, duty or obligation of ours or yours, or of any guarantor of your obligations.

19. RIGHT OF FIRST REFUSAL

If, at any time during the Term of this Agreement, you receive a bona fide offer to purchase or lease your Nail Studio (or if you are a company, partnership, or other entity, the equity ownership of you), which offer you are willing to accept, you will communicate in writing to us the full terms of the offer and the name of the offeror. We may elect to purchase or lease the business on the terms set forth in the offer. If we elect to purchase or lease the business, we will give you written notice of the election within thirty (30) days after we receive your communication of the offer. If we fail to give written notice of election within thirty (30) days, you may sell or lease to the offeror on the terms offered, subject to the provisions relating to assignment. The sale or lease must, however, be completed within sixty (60) days of the termination of the thirty (30) day period during which we may give written notice of election to purchase or lease; otherwise, an additional notice must be given to us and an additional option period must expire before any such transfer. If we elect to purchase or lease the business, we will have the right to substitute equivalent cash for any non-cash consideration included in the bona fide offer to purchase or lease the business and we and you will use our best efforts to complete the purchase or lease within sixty (60) days from the date of our notice of election to purchase or lease.

20. MISCELLANEOUS

- A. Unpaid Amounts.** Any unpaid amounts owed by you to us or any of our affiliates including any Monthly Fee, advertising fees and product purchases will bear interest at the rate of one and one half percent (1.5%) per month or the maximum rate permitted by law, whichever is less. You must reimburse us and our affiliates for all costs incurred in the collection of unpaid amounts, including reasonable attorneys' fees.
- B. Severability.** All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in the Agreement and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. You and we will substitute a valid and enforceable provision for any specification,

standard, operating procedure, rule, or other obligation of either of us that is determined to be invalid or unenforceable and is not waived by the other party. These modifications to this Agreement will be effective only in the jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.

- C. Cumulative Rights.** Except as otherwise set forth in this Agreement, our and your rights under this Agreement are cumulative and no exercise or enforcement of any right or remedy under this Agreement will preclude the exercise or enforcement of any other right or remedy under this Agreement or which we or you are entitled by law to enforce.
- D. Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 *et seq.*), this Agreement and the franchise relationship will be governed by the laws of the State of Colorado. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state (including Colorado) relating to franchises or business opportunities, other than those of the state in which the Franchised Location is located. This waiver of any rights under Colorado law will not apply if the Franchised Location is located in Colorado or you are a resident of (or if you are an entity, your principal(s) is a resident of) Colorado.
- E. Disavowal of Oral Representations.** You and we acknowledge that we want all terms of our business relationship to be defined in this written agreement, and that neither of us wants to enter into a business relationship with the other in which any terms or obligations are subject to any oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations as set forth in this Agreement. Therefore, you and we agree that this Agreement will supersede and cancel any prior and contemporaneous discussions between us. We each agree that we placed, and will place, no reliance on any discussions. You agree that no representations have been made to you about this Agreement or the FRENCHIES franchise other than as contained in this Agreement and in the Franchise Disclosure Document you received before you signed this Agreement (the “FDD”). You agree that no claims, representations, or warranties of earnings, sales, profits, or success of your Nail Studio have been made to you other than as set forth in **Item 19** of the FDD.
- F. Approvals.** Wherever our consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, we have the right to withhold our approval in our discretion, for any reason, or for no reason. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable. Our approvals and consents will not be effective unless given in writing.
- G. Interpretation.** It is the desire and intent of you and us that the provisions of this Agreement be enforced to the fullest extent possible under the applicable laws and public policies. Therefore, if any provision of this Agreement is determined by a court or arbitrator to be invalid or unenforceable, that determination will apply only to the operation of that provision in the particular proceeding in which the determination is made. We and you agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Agreement will be construed simply according to its fair meaning and not strictly against you or us.
- H. Waiver.** Except as otherwise provided in this Section, neither of us will be deemed to have waived any obligation of the other, or to have agreed to any modification of this Agreement, unless we have done so in writing, and the writing is signed by the person giving the waiver or agreeing to the modification.

However, you agree that you will give us immediate written notice of any claimed breach or violation of this Agreement as soon as possible after you have knowledge, or determine, or are of the opinion, that there has been a breach or violation by us of this Agreement. If you fail to give written notice to us of any claimed misrepresentation, violation of law, or breach of this Agreement within one (1) year from the date you have knowledge, determine, are of the opinion, or become aware of facts and circumstances reasonably indicating that you may have a claim against us or against any of our affiliates under any state law, federal law, or common law, then the misrepresentation, violation of law, or breach will be considered to have been condoned, approved, and waived by you, and you will be barred from beginning any legal, arbitration, or other action against us or against our affiliates, or from instituting any counterclaim against us or our affiliates, for the misrepresentation, violation of law, or breach, or from using the alleged act or omission as a defense to any action we may maintain against you.

- I. Time.** Time is of the essence to this Agreement.
- J. Counterparts.** This Agreement may be signed in counterparts, each of which will be considered an original.
- K. Entire Agreement.** The preambles are a part of this Agreement. This Agreement, together with its exhibits, constitutes the entire agreement between you and us related to your Nail Studio and any other aspect of the relationship we have with you, and cannot be amended except by a written agreement signed by you and us. This Agreement also supersedes all prior agreements and negotiations we have had with you related to your acquisition of this franchise or your and our rights and obligations. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made to you in the FDD.
- L. Headings and Terms.** The headings of the Sections are for convenience only and do not define, limit, or construe the contents of the Sections. The term “you” as used in this Agreement is applicable to one or more persons, a corporation, a partnership, or limited liability company, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If more than one person executes this Agreement for you, then your obligations are joint and several.
- M. Patriot Act.** You represent and warrant that to your actual and constructive knowledge: (i) neither you (including your directors, officers, and managers), nor any of your affiliates, or any funding source for your Nail Studio, are identified on the list at the United States Treasury’s Office of Foreign Assets Control (OFAC); (ii) neither you nor any of your affiliates are directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any of your affiliates are acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to an embargo; (iv) neither your nor any of your affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State’s Debarred Lists, or on the U.S. Department of Treasury’s Lists of Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists, as the lists may be amended from time to time (collectively, the Lists); (v) neither you nor any of your affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither you nor any of your affiliates will sell products, goods, or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

21. NOTICES

Any and all notices required or permitted under this Agreement will be in writing and will be deemed to have been duly given upon the earlier of: (i) when received; (ii) one (1) business day after placement with a reputable national overnight carrier; or (iii) three (3) business days after deposit (not including the day of deposit), if placed in the mail for delivery by certified mail, postage pre-paid, and, in the cases of clauses (ii) or (iii), addressed to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notice to us: FRENCHIES, LLC
5931 Rain Dance Trail
Littleton, Colorado 80125
Attention: Chief Executive Officer

Notice to you: See Rider.

22. ACKNOWLEDGEMENTS

A. Independent Investigation. You acknowledge that you have conducted an independent investigation of the business franchised under this Agreement, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your ability and efforts as an independent business person. You acknowledge that you have been given the opportunity to clarify any provision of this Agreement that you may not have initially understood and that we have advised you to have this Agreement reviewed by an attorney.

(Franchisee's Initials)

B. Franchise Agreement. You acknowledge that you have received, read, and understood this Agreement and that we have fully and adequately explained the provisions of it to your satisfaction and that we have accorded you time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

(Franchisee's Initials)

C. No Guarantee of Earnings. You acknowledge that we (and any of our representatives or agents with whom you have met) have not made and are not making any guarantees as to the extent of your success in your franchised business, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with your franchised business.

(Franchisee's Initials)

D. Other Franchises. You acknowledge that other FRENCHIES franchisees have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of those franchises may vary substantially from those contained in this Agreement. You also acknowledge that because complete and detailed uniformity under varying circumstances may not be practical, there may be variations we grant to other of our FRENCHIES studios (whether franchised, or studios that we or our affiliates operate), and you will not be entitled to require us to grant similar variations or privileges to you.

(Franchisee's Initials)

- E. Franchisor Representations.** You have no knowledge of any representations by us or our officers, directors, shareholders, employees, sales representatives, agents, or servants about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated in this Agreement. You acknowledge that no representations or warranties are made or implied, except as specifically set forth in this Agreement. You represent, as an inducement to our entry into this Agreement, that you have made no misrepresentations in obtaining this Agreement.

(Franchisee's Initials)

- F. No Financial Representations.** You acknowledge and agree that you have no knowledge of any financial performance representations, including (without limitation) representations of earnings, by us or our officers, directors, shareholders, employees, sales representatives, agents, or servants, except as contained in Item 19 of our Franchise Disclosure Document.

(Franchisee's Initials)

- G. Business Acumen.** You acknowledge that you have had ample opportunity to consult with your own attorneys, accountants, and other advisors. With full opportunity to consult with these persons, you acknowledge that you have sufficient knowledge and experience, or have received adequate advice from your advisors, to make an informed investment decision about this Agreement.

(Franchisee's Initials)

- H. No Personal Liability.** You agree that fulfillment of any and all of our obligations written in this Agreement or based on any oral communications that may be ruled to be binding in a court of law will be our sole responsibility and none of our agents or representatives, nor any individuals associated with our franchise company, will be personally liable to you for any reason. This is an important part of this Agreement. You agree that nothing you believe you have been told by our representatives or us will be binding unless it is written in this Agreement. Do not sign this Agreement if there is any question about its contents or any representations made.

(Franchisee's Initials)

[THIS AGREEMENT CONTINUES WITH A RIDER AND INITIAL FRANCHISE FEE ATTACHMENT, BOTH OF WHICH ARE A PART OF THIS AGREEMENT]

FRANCHISEE: _____

FRANCHISE AGREEMENT RIDER

- 1. **EFFECTIVE DATE:** _____
- 2. **FRANCHISEE:** _____
- 3. **FRANCHISED LOCATION:** _____

If no location has been determined at the time this Franchise Agreement is executed, then the Franchised Location will be within the following area, provided the exact location will be subject to our review and approval:

_____.

If the above-named location specifies a location yet to be determined, we reserve the right to sell franchises—and grant territories to others who will operate FRENCHIES studios—in and around the above-described location. You may then be required to choose a final location outside of any protected territory given to any other franchisee, and that territory may be outside of the city or areas identified above. Should this happen, you would have to obtain our review and approval for a new location. Likewise, if you choose to move your final address at any time, or if the location set forth above, or any other location we agree upon, becomes unavailable for any reason, it is your obligation to select a new location, and to obtain our approval of that location before you acquire the site or obtain any rights in the location.

- 4. **PROTECTED TERRITORY:**

- 5. **OWNERSHIP:** Franchisee represents and warrants that any entity to which this Agreement will be transferred will have the initial ownership set forth below, and that no changes will be made in the ownership without the prior written approval of Franchisor:

Name:	Percentage Ownership:
_____	_____
_____	_____
_____	_____
_____	_____

- 6. **PRINCIPAL OPERATOR DESIGNATED BY FRANCHISEE:** _____
- 7. **INITIAL FRANCHISE FEE:** *See* **INITIAL FRANCHISE FEE ATTACHMENT.**
- 8. **ADDRESS FOR NOTICE TO YOU:**

[THE REMAINDER OF THIS PAGE WAS LEFT BLANK INTENTIONALLY. SIGNATURES FOLLOW ON THE NEXT PAGE.]

FRANCHISOR: FRENCHIES, LLC	FRANCHISEE:
SIGNED:	SIGNED:
BY:	BY:
ITS:	ITS:
DATE:	DATE:
	SIGNED:
	BY:
	ITS:
	DATE:
	SIGNED:
	BY:
	ITS:
	DATE:

INITIAL FRANCHISE FEE ATTACHMENT TO RIDER

The initial franchise fee is the one that is initialed by you and by us.

| ___/___ New Franchisee (including conversion studios): ~~\$1749,500~~.

| ~~___/___~~ ~~New Franchisee (including conversion studios) (First Five Individuals): \$15,000.~~

| ___/___ New Franchisee (including conversion studios) (Qualified Veterans Only): ~~\$1539,5000~~.

| ___/___ Existing, Qualifying FRENCHIES Franchisee: ~~\$1539,5000~~.

| ___/___ Transfer of an existing franchise, renewal of an existing franchise, or franchise agreement signed pursuant to an obligation **you** have under an Area Development Agreement: **No initial franchise fee.**

FRENCHIES

modern nail care

EXHIBIT A

FRENCHIES, LLC

FRANCHISE AGREEMENT

**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT**

**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT**

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF YOUR SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THIS DOCUMENT. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THIS DOCUMENT. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THIS DOCUMENT.

**ARTICLE I
PERSONAL GUARANTY**

The undersigned persons (individually and collectively “**you**”) represent to **FRENCHIES, LLC** d/b/a **FRENCHIES** (“**Franchisor**”) that you are all of the shareholders, general partners, or members and managers of the franchisee, or the spouse of any shareholder, general partner, or member or manager of _____ (“**Franchisee**”), as the case may be. In consideration of the grant by Franchisor to Franchisee as provided in this Agreement, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives, and assigns, to be firmly bound by all of the terms, provisions, and conditions of the **FRENCHIES, LLC** d/b/a **FRENCHIES** Franchise Agreement and any other agreement between Franchisee and Franchisor and its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement or other agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining Franchisor’s written consent before the proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in the Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the Franchise Agreement. You agree to be bound by the dispute resolution procedures set forth in the Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition, as well as all other restrictive covenants, including those concerning confidentiality and indemnification of the Franchise Agreement.

**ARTICLE II
CONFIDENTIALITY**

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information that Franchisor considers its trade secrets and confidential information (“**Confidential Information**”). You will not, during the term of this Agreement or after, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation, standards and specifications for Nail Studios, information about proprietary merchandise, any proprietary software Franchisor may now or in the future create, the Operations Manual, the company’s copyrighted materials, and any other goods or services offered or authorized for sale by System franchisees, methods and other techniques and know-how about operation of the Franchised Business that may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee’s obligations under the Franchise Agreement. You also acknowledge and agree that certain customer information, including: i.) current customer and prospective customer names and addresses; ii.) information about credit extensions to customers; iii.) customer service purchasing histories; iv.) rates charged to customers (subsections i-iv collectively referred to as “**Customer Lists**”); and v.) sources of suppliers, also constitute the trade secrets and confidential proprietary information of Franchisor. Any and all information, knowledge, know-how, techniques, and other

data that Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement.

ARTICLE III NON-COMPETITION

You acknowledge that as a participant in the Franchisor's Franchise System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques that Franchisor has developed. To protect Franchisor and all Franchisor's franchisees, you agree as follows:

1) **During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, neither you, nor your principals, officers, directors, nor any members your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

- a) Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business offering or nail studios or other goods and services offered or authorized for sale by System franchisees (a "**Competitive Business**"); *provided, however,* that this Section does not apply to Franchisee's operation of any other Nail Studio;
- b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates, or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment; or
- c) Divert or attempt to divert any business or customer of the Nail Studio to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2) **After the Term of This Agreement.**

- a) For a period of three (3) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate a Competitive Business.
- b) For a period of two (2) years after the expiration, transfer, or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation will:
 - (i) Own, maintain, engage in, be employed by, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any Competitive Business: i.) at the Franchised Business premises; ii.) within the Territory; or iii.) within a radius of twenty-five (25) miles of the perimeter of: a.) the Territory being granted under the Franchise Agreement; or b.) any other Territory licensed by Franchisor as of the date of expiration or termination of this Agreement; or
 - (ii) Solicit business from customers of Franchisee's former Nail Studio; or

- (iii) Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or
- (iv) Solicit any of our employees, or the employees of Franchisor's affiliates or any other System franchisee, to discontinue employment.

3) **Intent and Enforcement.** It is the parties' intent that the provisions of this Article be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein will not render any other part unenforceable. In the event of the actual or threatened breach of this Article by you, any of your principals, or any members of their immediate family, Franchisor will be entitled to an injunction restraining the person or persons from any actual or threatened breach. You agree that, in the event of the actual or threatened breach of this Article, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent the harm. You acknowledge and agree that you have previously worked or been gainfully employed in other careers and that the provisions of this Article in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article will be tolled during any default under the Franchise Agreement and this Guaranty.

ARTICLE IV MISCELLANEOUS

- 1) **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its system.
- 2) **Governing Law.** This Guaranty will be deemed to have been made in and governed by the laws of the state of Colorado.
- 3) **Dispute Resolution.** Any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty will be enforced according to **Section 18** of the Franchise Agreement.
- 4) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents, and employees are express third party beneficiaries of the Franchise Agreement and this Guaranty, and the enforcement provisions contained therein, each having authority to specifically enforce the right to mediate, arbitrate, or litigate claims asserted against them by you.
- 5) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage, or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.
- 6) **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other that would render it valid and enforceable, the provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Guaranty will be construed according to its fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in the Guaranty, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty is stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

7) **Construction of Language.** Any term defined in the Franchise Agreement that is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as “you,” their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

8) **Successors.** References to “Franchisor,” “Franchisee,” “the undersigned,” or “you” include the respective parties’ successors, assigns, or transferees.

9) **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in this Guaranty or in the Franchise Agreement or based on any oral communications that may be ruled to be binding in a court of law will be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company will be personally liable to Franchisee or you for any reason.

PERSONAL GUARANTORS & SPOUSES:

Signed (Individually)

Print Name

Address

City _____/State _____/Zip Code

Telephone

Signed (Individually)

Print Name

Address

City _____/State _____/Zip Code

Telephone

Signed (Individually)

Print Name

Address

City _____/State _____/Zip Code

Telephone

Signed (Individually)

Print Name

Address

City _____/State _____/Zip Code

Telephone

FRENCHIES

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EXHIBIT B

FRENCHIES, LLC

FRANCHISE AGREEMENT

GENERAL RELEASE

GENERAL RELEASE

In consideration of the agreement of FRENCHIES, LLC (“**Franchisor**”) to allow _____ (“**Franchisee**”) to [RENEW OR TRANSFER] its Franchise Agreement dated _____ between Franchisee and Franchisor (“**Agreement**”), Franchisee hereby releases and forever discharges Franchisor, and its affiliates, as well as their members, directors, officers, employees, and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors, and assigns, from any and all claims Franchisee may have against parties known and unknown, foreseen and unforeseen, from the beginning of time to the date of this General Release, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Agreement or under any other agreement between Franchisee and Franchisor or its affiliates.

[FOR TRANSFERS: Further, Franchisee acknowledges that transfer of the Agreement will terminate Franchisee’s interest in the Agreement, but Franchisee will continue to be bound by all post-termination provisions of the Agreement, including but not limited to the obligations of confidentiality, and the covenant not to compete contained in the Agreement.]

FRANCHISEE:

SIGNED:

BY:

ITS:

DATE:

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EXHIBIT C

FRENCHIES, LLC

FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned (“**Assignor**”) hereby assigns and transfers to **FRENCHIES, LLC**, a Colorado limited liability company with a principal business address of 5931 Rain Dance Trail, Littleton, Colorado 80125 (“**Assignee**”), all of Assignor's right, title, and interest as tenant in, to, and under that certain lease, a copy of which is attached to this Agreement as **Exhibit 1** (the “**Lease**”) respecting the premises commonly known as _____
_____. This Assignment is for collateral purposes only and except as specified in this Agreement, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease under the terms of this Agreement and assumes the obligations of Assignor under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interest in the Lease and that Assignor has not previously assigned or transferred—and is not obligated to assign or transfer—any of its interest in the Lease or the premises demised by the Lease.

Upon a default by Assignor under the Lease or under the franchise agreement for a Nail Studio between Assignee and Assignor (the “**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement or this Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor from the premises, and, in that event, Assignor will have no further right, title, or interest in the Lease. Assignor authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals to the Franchise Agreement, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to elect to extend or renew the Lease as outlined above, Assignor appoints Assignee as its true and lawful attorney-in-fact to exercise the extension or renewal options in the name, place, and stead of Assignor for the purpose of effecting the extension or renewal.

Subscribed and sworn to before me on this _____ day of _____, 20____.

ASSIGNOR:

SIGNED:

BY:

ITS:

Notary Public

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease described in this Collateral Assignment of Lease:

- A. Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- B. Agrees that Assignee has the right—but not the obligation—to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice of default in accordance with **Paragraph A** above;
- C. Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant under the Lease, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease; and
- D. Agrees that Assignee may further assign the Lease to a person, firm, or corporation who must agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and, upon that assignment, Assignee will have no further liability or obligation under the Lease as assignee, tenant, or otherwise.

DATED:

LESSOR:

SIGNED:

BY:

ITS:

Exhibit 1 to
Collateral Assignment of Lease
LEASE AGREEMENT

FRENCHIES

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EXHIBIT D

FRENCHIES, LLC

FRANCHISE AGREEMENT

**STATE-SPECIFIC ADDENDA TO
FRANCHISE AGREEMENT**

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF CALIFORNIA**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of California:

This California Addendum is only applicable if you are a resident of California or if your business is located in California.

1. The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning termination, renewal, or ~~and~~ non-renewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to termination, renewal, or ~~and~~ non-renewal may be superseded by the Act. There may also be court decisions that may supersede the Franchise Agreement and your relationship with Franchisor, including the areas of termination, renewal, or ~~and~~ non-renewal of Franchisee's franchise. If the Franchise Agreement is inconsistent with the law, the law will control.
2. The Franchise Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 - 20043)). To the extent required by such laws, Franchisee shall not be required to execute a general release.
3. Based on our current financial condition, the California Department of Business Oversight has imposed a financial assurance requirement. Payment of all initial fees will be deferred until we complete our initial obligations under the Franchise Agreement and the Nail Studio is open for business. Therefore, the following is added to the Franchise Agreement:

We will defer all payments of initial fees and payments until we have completed our obligations under the Franchise Agreement and you have opened your Nail Studio. If we enter into a Development Agreement with you, all initial fees and payments will be deferred until such time as we complete our initial obligations under the Development Agreement and the first Nail Studio opens for business.
- ~~3.4.~~ The Franchise Agreement requires application of the laws and forum of Colorado. This provision may not be enforceable under California law.
- ~~4.5.~~ The Franchise Agreement contains a covenant not to compete that extends beyond the termination or non-renewal of the franchise. This provision may not be enforceable under California law.
- ~~5.6.~~ The provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.

6.7. The franchise agreement contains a liquidated damages clause. This provision may not be enforceable under California Civil Code Section 1671.

~~IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.~~

~~FRANCHISOR: FRENCHIES, LLC~~

~~FRANCHISEE:~~

~~SIGNED:~~

~~SIGNED:~~

~~BY:~~

~~BY:~~

~~ITS:~~

~~ITS:~~

~~DATE:~~

~~DATE:~~

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of Illinois:

1. Notwithstanding the fact that the Franchise Agreement requires that the Agreement be governed by the laws of the State of Colorado, to the extent required by Rule 200.608 of the Illinois Franchise Disclosure Laws, the Agreement shall be governed and construed in accordance with the laws of the State of Illinois.

2. The Franchise Agreement states that Colorado law generally applies. However, the conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, and we will comply with that law in Illinois.

3. The other conditions under which your franchise can be terminated and your rights of nonrenewal may be affected by Illinois Law, 815 Illinois Compiled Statutes 705/19 and 705/20.

4. Section 4 of the Illinois Franchise Disclosure Act states that “Any provision of a franchise agreement which designates jurisdiction or venue in a forum outside of this state (Illinois) is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.”

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

6. The provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.

7. Section 14.B of the Franchise Agreement is modified by the insertion of the following at the end of such Section:

“Notwithstanding the foregoing, to the extent required by Illinois law, the Franchisor shall provide reasonable notice to the Franchisee with the opportunity to cure any defaults under this Section 14.B, which shall not be less than ten (10) days and in no event shall such notice be required to be more than thirty (30) days.”

8. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF INDIANA**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of Indiana:

This Indiana Addendum is only applicable if you are a resident of Indiana and your business will be located in Indiana.

1. Section 17.B of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

“B. After Expiration, Termination or Transfer. You will not, directly or indirectly for a period of two (2) years after the transfer by you, or the expiration or termination of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, lender, or joint venturer of any other person, firm, entity, partnership, corporation or company, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any hair removal business, which is located within the Protected Territory.”

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF MARYLAND**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede and apply to all Frenchies Modern Nail Care franchises sold to residents in the state of Maryland:

1. Section 13.B.8 of the Franchise Agreement is revised to provide that, pursuant to COMAR 02.02.08.16L, the general release required as a condition to renewal, sale or consent to assignment/transfer, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Section 14.A of the Franchise Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but Franchisor intends to enforce it to the extent enforceable.
3. Section 18.F of the Franchise Agreement is revised to include the following language:

“Notwithstanding the standing provisions of this section, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.”
4. The representations made in the Franchise Agreement are not intended to nor should they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
5. Each provision to this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.
6. The Franchise Agreement states that Minnesota law generally applies. However, the conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Maryland Law, and we will comply with that law in Maryland.
7. Notwithstanding anything to the contrary in the Franchise Agreement, nothing will prevent the Franchisee from filing suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF MINNESOTA**

This Amendment pertains franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota's statutes and regulations. This Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota. Notwithstanding anything to the contrary set forth in the FRENCHIES, LLC Franchise Agreement, the following provisions will supersede any inconsistent provisions and apply to all FRENCHIES franchises offered and sold in the state of Minnesota:

1. Minnesota law provides franchisees and developers with certain termination and nonrenewal rights. As of the date of this Agreement, Minn.Stat. § 80C.14, *subs.* 3, 4, and 5 require, except in certain specified cases, that the franchisor give a franchisee or developer 90 days' notice of termination (with 60 days to cure) and 180 days' notice of nonrenewal of the Franchise Agreement.
2. FRENCHIES, LLC d/b/a FRENCHIES will protect your right to use the trademarks, service marks, trade names, logotypes, and other commercial symbols or will indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand arising out of or related to the use of the marks to the extent required by Minnesota law. **Section 3** is revised to include the following:

“To the extent required by the Minnesota Franchise Act, Franchisor will protect your rights to use the trademarks, service marks, trade names, logos and other commercial symbols, or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding your use of the marks, provided you are using the Names and Marks in accordance with this Agreement.”
3. **Section 18.D** of the Franchise Agreement will be supplemented by the following provision:

Under Minn.Stat. § 80C.21, this Paragraph will not in any way abrogate or reduce any of your rights as provided in Minnesota Statutes, Chapter 80C, including—but not limited to—the right to submit matters to the jurisdiction of the courts of Minnesota.
4. Minn.Stat. § 80C.21 and Minnesota Rule 2860.4400(J) prohibit FRENCHIES, LLC d/b/a FRENCHIES from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
5. Franchisor will not require Franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minn.Stat. §§ 80C.01 to 80C.22, provided that the foregoing will not bar the voluntary settlement of disputes. To the extent you are required to execute a general release in favor of FRENCHIES, LLC d/b/a FRENCHIES, the release will exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. § 80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

6. Any claims brought under the Minnesota Franchises Act, § 80.C.01 *et seq.* must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act will control.

~~IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.~~

FRANCHISOR: FRENCHIES, LLC

FRANCHISEE:

SIGNED:

SIGNED:

BY:

BY:

ITS:

ITS:

DATE:

DATE:

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF NEW YORK**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of New York:

This New York Addendum is only applicable if you are a resident of New York or if your business will be located in New York.

1. Section 8.I of the Franchise Agreement is revised to include the following:

“Revisions to the manual will not unduly affect your obligations, including economic requirements, under this Agreement.”

2. Section 13.A of the Franchise Agreement is revised to include the following:

“The Franchisor will not make an assignment except to an assignee who, in the Franchisor’s good faith judgment, is willing and able to assume its obligations under the Agreement.”

3. Section 15 of the Franchise Agreement is modified by the addition of the following at the end of such section:

“In addition, the Franchisee shall have the right to terminate the Franchise Agreement to the extent allowed under applicable law.”

4. Sections 18.E, 18.F, 18.G and 18.H of the Franchise Agreement are revised to include the following language:

“Provided, however, that all rights arising under Franchisee’s favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied.”

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of North Dakota:

This North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. Sections 16.H and 18.A of the Franchise Agreement are amended to provide that the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.
2. Section 16.H of the Franchise Agreement is modified to delete any requirement that franchisee consent to termination penalties or liquidated damages.
3. Section 17.B of the Franchise Agreement is amended by adding the following language at the end:

“Covenants not to compete, such as those mentioned in this Section 17.B are generally considered unenforceable in the state of North Dakota.”
4. Section 18.E. of the Franchise Agreement is deleted in its entirety.
5. Section 18.G of the Franchise Agreement is deleted in its entirety.
6. Section 20.D of the Franchise Agreement is amended to provide that the Franchise Agreement will be governed by the laws of the State of North Dakota.

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF RHODE ISLAND**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede and apply to all Frenchies Modern Nail Care franchises sold to residents in the state of Rhode Island:

1. Section 18 of the Franchise Agreement is supplemented by the addition of the following:

“§ 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 the Act.”
The

Act (§§ 19-28.1-1 through 19- 28.1-34) are met independently without reference to this Addendum.

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT
REQUIRED FOR THE STATE OF WASHINGTON**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of Washington:

This Washington Addendum is only applicable if you are a resident of Washington or if your business will be located in Washington.

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement and your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement and your relationship with us, including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. In the event of a conflict of laws, to the extent required by the Act, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. To the extent required by the Act, a release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Franchise 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 limitation period for claims under the Act, rights or remedies under the Act, such as rights to jury trial might not be enforceable; however, we agree to enforce them to the extent the law allows.

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

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EXHIBIT E

FRENCHIES, LLC

FRANCHISE AGREEMENT

**ELECTRONIC FUNDS
WITHDRAWAL AUTHORIZATION**

ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

BANK NAME:

ABA ROUTING NUMBER:

ACCOUNT NUMBER:

ACCOUNT NAME:

Effective as of the date of the signature below, _____ hereby authorizes FRENCHIES, LLC d/b/a FRENCHIES (the “**Company**”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at _____: 1.) all Royalty Fees, 2.) all Marketing Fees, and 3.) all other fees due under the Franchise Agreement executed by Franchisee and Company. These withdrawals will occur on a weekly basis, or on another schedule as Company specifies in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Company. Franchisee will provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE:

SIGNED:

BY:

ITS:

DATE:



EXHIBIT C

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT, GUARANTY, AND STATE-SPECIFIC ADDENDA



AREA DEVELOPMENT AGREEMENT

FRENCHIES, LLC
a Colorado limited liability company
5931 Rain Dance Trail
Littleton, Colorado 80125
Telephone: 720.525.2935
franchise@frenchiesnails.com
www.frenchiesnails.com

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ATTACHMENTS:

- GUARANTY
- STATE-SPECIFIC ADDENDA

FRENCHIES®
AREA DEVELOPMENT AGREEMENT

This **AREA DEVELOPMENT AGREEMENT** is made as of the Effective Date set forth in the Rider attached to this Agreement (the “**Rider**”) between **FRENCHIES, LLC**, a Colorado limited liability company (“**we**” or “**us**”) and the person or persons named in the Rider as the Developer (“**you**”).

RECITALS:

- A. We have invested substantial time, effort, and money to develop a system for operating boutique studios that offer hand and foot care services to men and women, and other related products and services under the trademark “**FRENCHIES®**” and other trademarks, service marks, and intellectual property rights. We grant franchises to qualified candidates for the operation of a hand and foot care business. We license our trademark rights in “**FRENCHIES®**” and “**FRENCHIES NAIL SALONS®**” and may in the future adopt, use, and license additional or substitute trademarks, service marks, logos, and commercial symbols in connection with the operation of **FRENCHIES** studios (collectively the “**Marks**”). **FRENCHIES** studios use our methods, procedures, standards, specifications, and **Marks** (all of which are collectively referred to as the “**System**”), which we may improve, further develop, or otherwise modify from time to time.
- B. You acknowledge that you have had an adequate opportunity to be thoroughly advised of the provisions of this Agreement, the form of franchise agreement we currently use to grant rights to operate nail studios, and our Franchise Disclosure Document, and have had sufficient time and opportunity to evaluate and investigate the System and the procedures and financial requirements associated with the System, as well as the competitive market in which it operates.
- C. You are entering into this Agreement because you want to develop and operate multiple nail studios that use the **Marks** and the System. You recognize that while you will have certain limited rights to transfer your interest in this Agreement, and in the studios you develop, we are entering into this Agreement with you based on your representation that you intend to personally develop all of the studios described in this Agreement, and not with a view to reselling your right to open these studios.

AGREEMENTS:

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS.

The following provisions control with respect to the rights granted under this Agreement:

- A. We grant to you, under the terms and conditions of this Agreement, the right to develop and operate the number of Nail Studios identified in the Rider (the “**Nail Studios**”), using the **Marks** and operating within the territory described in the Rider (the “**Development Territory**”).
- B. You agree to be bound by the “**Development Schedule**” set forth in the Rider. Time is of the essence for the development of each Nail Studio in accordance with the Development Schedule. Each Nail Studio must be developed and operated by you under a separate Franchise Agreement that you enter into with us.
- C. Unless otherwise indicated in the Rider and except as set forth in **Section D** below, if you are in compliance with the Development Schedule set forth in the Rider, we will not develop or operate—

or grant anyone else a franchise to develop and operate—a Nail Studio from any location in the Development Territory before the earlier of: (i) the expiration or termination of this Agreement; (ii) the date on which you must sign the Franchise Agreement for your last Nail Studios under the terms of the Development Schedule; or (iii) the date on which the Protected Territory for your final Nail Studio is determined; *provided, however*, that if the Development Territory covers more than one city, county, or designated market area, the protection for each particular city, county, or designated market area will expire upon the earliest of: (1) any of the foregoing events; or (2) the date when the Protected Territory for your final Nail Studio to be developed in that city, county, or designated market area under this Agreement is determined. Notwithstanding anything in this Agreement, when the earliest of the above events occurs: (i) the Development Territory will expire; and (ii) we will be entitled to develop and operate—or to franchise others to develop and operate—nail care businesses or studios from locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been signed between us and you and that has not been terminated. If at any time you fail to comply with the Development Schedule, we may in lieu of terminating this Agreement, choose, in our sole discretion, to replace any portion of the Development Territory that is not then part of a Protected Territory under a fully executed Franchise Agreement with territory that will be identified at the time you demonstrate an intent and ability to execute the next Franchise Agreement called for under the Development Schedule.

- D. You acknowledge and agree that: (i) we and our affiliates have the right to grant other franchises or operate company or affiliate owned nail studios and businesses at locations outside the Protected Territory even if they compete with your Nail Studios for customers who may live or work in or near the Protected Territory; and (ii) we and our affiliates have the right to operate—and to grant franchises or licenses to others to operate—nail care businesses (or any other business) within and outside the Development Territory under trademarks other than the Marks, all without compensation to you.

2. DEVELOPMENT FEE.

You must pay us a Development Fee in the amount set forth in the Rider. This fee is payable in full when you sign this Agreement. However, you will not be required to pay an Initial Franchise Fee for any of the Nail Studios you develop under this Agreement.

- A. You will sign the Franchise Agreement for your first Nail Studio concurrently with this Agreement. A separate Franchise Agreement must be signed for each Nail Studio as it is identified, which must be consistent with the Development Schedule. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of the Nail Studio.
- B. The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon execution of this Agreement, and is non-refundable. If you fail or choose not to develop any Nail Studio that is permitted under this Agreement, you will not be entitled to any return or refund of the Development Fee.

3. DEVELOPMENT SCHEDULE.

The following provisions control with respect to your development rights and obligations:

- A. You must comply with the Development Schedule requirements regarding: (i) the execution of the Franchise Agreements; (ii) the opening date for each Nail Studio; and (iii) the cumulative number of Nail Studios to be open and continuously operating for business in the Development Territory. If you fail to either sign a Franchise Agreement or to open a Nail Studio according to the dates set

forth in the Franchise Agreement, we, in our sole discretion, may immediately terminate this Agreement under **Section 5**, or alter your Development Territory as described in Section 1.C.

- B.** You may not open a Nail Studio under this Agreement unless you have notified us of your intention to develop the Nail Studio at least thirty (30) days prior to the date in the Development Schedule and met each of the following conditions (these conditions apply to each Nail Studio to be developed in the Development Territory):
1. **Good Standing.** You must not be in default of this Agreement, any Franchise Agreement entered into under this Agreement, or any other agreement between you or any of your affiliates and us or any of our affiliates. You also must have satisfied on a timely basis all monetary and material obligations under the Franchise Agreements for all existing Nail Studios.
 2. **Execution of Franchise Agreement.** You and we have entered into our then-current form of Franchise Agreement for the proposed Nail Studio. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations; *provided, however*, that you will not be required to pay any initial franchise fee under any of those agreements. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of the Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Nail Studio must be in accordance with the terms of the applicable Franchise Agreement.

4. TERM.

Unless sooner terminated in accordance with **Section 5** of this Agreement, the term of this Agreement and all rights granted to you will expire on the date that you sign the Franchise Agreement for the last Nail Studio that is scheduled to be opened under the Development Schedule.

5. DEFAULT AND TERMINATION.

You will be deemed in default under this Agreement if you breach any of the terms of this Agreement or if you or any “affiliate” of yours breaches any of the terms of any Franchise Agreement or any other agreement that you or your affiliates have with us or our affiliates. For purposes of this Agreement, an “affiliate” of any person will be any person or entity that controls that person, is under the control of that person, or is under common control with that person.

- A.** All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, commit any affirmative action of insolvency, or file any action or petition of insolvency; (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority; (iii) you make a general assignment or other similar arrangement for the benefit of your creditors; (iv) a final judgment against you remains unsatisfied of record for thirty (30) days or longer; (v) execution is levied against your business or property, or the business or property of any of your affiliates that have entered into Franchise Agreements with us; (vi) suit to foreclose any lien or mortgage against premises or equipment is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; (vii) you fail to meet your development obligations set forth in the Development Schedule; (viii) you or any of your affiliates open any Nail Studios before that person or entity has signed a Franchise Agreement with us for that studio in the form we provide; (ix) you fail to comply with any other provision of this Agreement, or your or any of your affiliates fail to comply with any other agreement you or they have with us or our affiliates and do not correct the failure within thirty (30) days after written notice of

that failure is delivered to the breaching party (except that if the failure to comply is the third failure to comply with any provision of any agreement that you or any of your affiliates have with us or an affiliate of ours within twelve (12) consecutive months, then we need not provide any opportunity to cure the default); or (x) we have delivered to you or any of your affiliates a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

6. RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION.

Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and:

- A. All remaining rights granted to you to develop Nail Studios under this Agreement will automatically be revoked and will be null and void. You will not be entitled to any refund of any fees.
- B. You must within five (5) business days of the termination or expiration pay all sums owing to us and our affiliates. In addition, you agree to pay as fair and reasonable liquidated damages (but not as a penalty) an amount equal to **Ten Thousand Dollars (\$10,000)** for each undeveloped Nail Studio. You agree that this amount is in addition to the Development Fees paid under this Agreement, and is for lost revenues from Weekly Royalty Fees (as defined in the Franchise Agreement) and other amounts payable to us, including the fact that you were holding the development rights for those Nail Studios and precluding the development of certain Nail Studios in the Development Territory, and that it would be difficult to calculate with certainty the amount of damage we will incur. Notwithstanding your agreement, if a court determines that this liquidated damages payment is unenforceable, then we may pursue all other available remedies, including consequential damages.

7. TRANSFER.

The following provisions govern any transfer:

- A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity.
- B. We enter into this Agreement with specific reliance on your personal experience, skills, and managerial and financial qualifications. Consequently, this Agreement—and your rights and obligations under it—is and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent.
 - 1. As used in this Agreement, the term “**Transfer**” means any sale, assignment, lease, gift, pledge, mortgage, or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law, or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you. You acknowledge that these provisions prohibit you from subfranchising or sublicensing any right you have under any agreement with us, and that your intent in entering into this Agreement is that you (and not any licensee or transferee) will be opening and operating the Nail Studios to be developed under this Agreement. In addition, if there are two (2) individuals signing this Agreement as Franchisee, and one (1) of those individuals is no longer involved in the ownership of the business that is developing Nail Studios, the withdrawal of that person will be considered a Transfer. A Transfer will also be deemed to occur when there are more than two (2) people listed as the Developer and there is a change of the ownership of the business such that less than a majority of the original signators continue to have a majority interest in the equity of the business.
 - 2. We will not charge you any fee in connection with your Transfer of your interest in this Agreement.

However, as a condition to our approval of any Transfer, you must sign franchise agreements for all of the Nail Studios to be developed under this Agreement, you must transfer all of those agreements to the same person or entity that acquires your interest in this Agreement, and you must comply with all of the conditions for transferring each of those agreements, including the requirement to pay a transfer fee in connection with the transfer of each of those agreements.

3. The restriction on Transfer contained in this Agreement does not apply to, or otherwise restrict, your right to transfer any interest in any franchise agreement you previously signed for any Nail Studio to be developed under this Agreement. You may transfer those agreements apart from any rights you have in this Agreement, provided you comply with the transfer provisions of each agreement you seek to transfer.

8. MISCELLANEOUS.

The provisions set forth in the franchise agreement for your first Nail Studio containing any covenants not to compete, enforcement provisions, notice provisions, and sections referenced as “Miscellaneous” or “Acknowledgments” are incorporated into this Agreement by reference and will be applicable to this Agreement until such time as you sign a subsequent franchise agreement, at which time the provisions of the new agreement relating to covenants not to compete, enforcement, notice, and all sections referenced as “Miscellaneous” or “Acknowledgments” will be incorporated into this Agreement by reference in place of the previous provisions. Likewise, if you later sign yet another franchise agreement, at all times, the provisions contained in the last franchise agreement you sign with us, which relate to covenants not to compete, enforcement, and notice, and all sections referenced as “Miscellaneous” or “Acknowledgments,” are hereby incorporated into this Agreement by reference in place of the previous provisions. You acknowledge having received a copy of our current form of franchise agreement for use in the sale of Nail Studios, and that until you sign an agreement for your first studio, the provisions of the form we provided to you relating to these matters will be deemed incorporated in this Agreement by reference and applicable to this Agreement. Any reference to the expression “this Agreement” in those Sections will be interpreted as a reference to this Area Development Agreement and any reference to “Protected Territory” will read as Development Territory. Any provisions of this Agreement which, by their nature, may or are to be performed following expiration or termination of this Agreement, will survive termination or expiration.

**[THIS AGREEMENT CONTINUES WITH A RIDER,
WHICH IS A PART OF THIS AGREEMENT]**

AREA DEVELOPMENT AGREEMENT RIDER

- 1. **Effective Date:** _____
- 2. **Developer:** _____
- 3. **Development Territory:**

If this Development Territory references one or more sites yet to be determined, then we reserve the right to develop and operate a Nail Studio in and around the above-described city, county, or area, and to sell franchises and grant territories to others—including through area development agreements—who will operate Nail Studios in and around the above-described city, county, or area. You may then be required to choose a final location for your Nail Studio outside of any protected territory given to us or to any other franchisee or area developer, which final location may be outside of the county, city, or area identified above. Should this happen, you would have to obtain our review and approval for a new Development Territory, and location for your Nail Studio.

- 4. **Number of Nail Studios** to be opened in the Development Territory: _____
- 5. **Development Fee:** _____
- 6. **Development Schedule:** You acknowledge and agree that a material provision of this Area Development Agreement is that the following number of Nail Studios must be opened and continuously operated by you in the Development Territory in accordance with the following Development Schedule:

NAIL STUDIO NUMBER	DATE BY WHICH FRANCHISE AGREEMENT MUST BE SIGNED AND SITE APPROVAL REQUEST MUST BE SUBMITTED TO US	DATE BY WHICH THE NAIL STUDIO MUST BE OPENED AND OPERATED BY YOU IN THE TERRITORY	CUMULATIVE NUMBER OF NAIL STUDIOS TO BE OPENED AND OPERATED BY YOU IN THE DEVELOPMENT TERRITORY AS OF THE DATE IN PRECEDING COLUMN
1	Date of this Agreement		1
2			2
3			3
<u>4</u>			<u>4</u>
<u>5</u>			<u>5</u>
<u>6</u>			<u>6</u>
<u>7</u>			<u>7</u>
<u>8</u>			<u>8</u>
<u>9</u>			<u>9</u>
<u>10</u>			<u>10</u>

For purposes of determining compliance with this Development Schedule, only the Nail Studios you actually open and continuously operate in the Development Territory for at least the first six (6) months after opening will be counted toward the number of Nail Studios required to be open and operated by you.

7. **Address for notice to you:** _____

IN WITNESS WHEREOF, we and you have signed this Agreement as of the Effective Date set forth above.

FRANCHISOR: FRENCHIES, LLC <hr/> SIGNED: <hr/> BY: <hr/> ITS: <hr/> DATE: <hr/>	DEVELOPER: <hr/> SIGNED: <hr/> BY: <hr/> ITS: <hr/> DATE: <hr/> SIGNED: <hr/> BY: <hr/> ITS: <hr/> DATE: <hr/> SIGNED: <hr/> BY: <hr/> ITS: <hr/> DATE: <hr/>
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EXHIBIT A
**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE AREA DEVELOPMENT AGREEMENT**

**EXHIBIT A
PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE AREA DEVELOPMENT AGREEMENT**

In consideration of the execution of the Area Development Agreement (the “**Agreement**”) between **FRENCHIES, LLC** (“**we**” or “**us**”) and _____ (the “**Developer**”), dated _____, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually, and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms, and conditions in the Agreement, to be paid, kept, and performed by the developer, including without limitation the dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an Area Development Agreement containing the identical terms and conditions of the Agreement.

The undersigned waive: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he or she may have to require that an action be brought against the developer or any other person as a condition of liability; and (4) notice of any changes permitted by the terms of the Agreement or agreed to by the developer.

In addition, the undersigned consent and agree that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the developer or any other person; (2) the liability will not be diminished, relieved or otherwise affected by the developer’s insolvency, bankruptcy, or reorganization, the invalidity, illegality, or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; and (3) this Personal Guaranty will apply in all modifications to the Agreement of any nature agreed to by developer with or without the undersigned receiving notice thereof.

It is further understood and agreed by the undersigned that the provisions, covenants, and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

DEVELOPER: _____

PERSONAL GUARANTORS:

Signed (Individually)	Signed (Individually)
Print Name	Print Name
Address	Address
City/State/Zip-Code	City/State/Zip-Code
Telephone	Telephone

EXHIBIT B
STATE-SPECIFIC ADDENDA

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF CALIFORNIA**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Franchise Agreement or Area Development Agreement, the following provisions will supersede and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of California:

This California Addendum is only applicable if you are a resident of California or if your business will be located in California.

1. The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning termination, renewal, or ~~and~~ non-renewal of the Area Development Agreement and certain provisions of the Area Development Agreement relating to termination, renewal, or ~~and~~ non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Area Development Agreement and your relationship with Franchisor, including the areas of termination, renewal, or ~~and~~ renewal of Franchisee's franchise. If the Area Development Agreement is inconsistent with the law, the law will control.
2. The Franchise Agreement or Area Development Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement or Area Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 - 20043)). To the extent required by such laws, Franchisee shall not be required to execute a general release.
3. Based on our current financial condition, the California Department of Business Oversight has imposed a financial assurance requirement. Payment of all initial fees will be deferred until we complete our initial obligations under the Franchise Agreement and the Nail Studio is open for business. Therefore, the following is added to the Area Development Agreement:

We will defer all payment of initial fees and payments until we have completed our obligations under the Franchise Agreement and you have opened your Nail Studio. If we enter into a Development Agreement with you, all initial fees and payments will be deferred until such time as we complete our initial obligations under the Development Agreement and the first Nail Studio opens for business.
- ~~2.4.~~ The Franchise Agreement or Area Development Agreement requires application of the laws and forum of Colorado. This provision may not be enforceable under California law.
- ~~3.5.~~ The Franchise Agreement or Area Development Agreement contains a covenant not to compete ~~which that~~ extends beyond the termination or non-renewal of the franchise. This provision may not be enforceable under California law.
- ~~4.6.~~ The provision in the Franchise Agreement or Area Development Agreement ~~which that~~ terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.

5.7. The Franchise Agreement or Area Development Agreement contains a liquidated damages clause.
This provision may not be enforceable under California Civil Code Section 1671.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: FRENCHIES, LLC

DEVELOPER:

SIGNED:

SIGNED:

BY:

BY:

ITS:

ITS:

DATE:

DATE:

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of Illinois:

This Illinois Addendum is only applicable if you are a resident of Illinois and your business will be located in Illinois.

1. Notwithstanding the fact that the Area Development Agreement requires that the Agreement be governed by the laws of the State of Colorado, to the extent required by Rule 200.608 of the Illinois Franchise Disclosure Laws, the Agreement shall be governed and construed in accordance with the laws of the State of Illinois.

2. The Area Development Agreement states that Colorado law generally applies. However, the conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, and we will comply with that law in Illinois.

3. The other conditions under which your franchise can be terminated and your rights of nonrenewal may be affected by Illinois Law, 815 Illinois Compiled Statutes 705/19 and 705/20.

4. Section 4 of the Illinois Franchise Disclosure Act states that “Any provision of a franchise agreement which designates jurisdiction or venue in a forum outside of this state (Illinois) is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.”

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

6. The provision in the Area Development Agreement which terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.

7. Section 5 of the Area Development Agreement shall be modified by the addition of the following sentence at the end of such section.

“To the extent required by Illinois law, the Franchisor shall provide reasonable notice to the Franchisee with the opportunity to cure any defaults under this Section 5, to the extent required by Illinois law, which in no event shall be less than ten (10) days, and in no event shall such notice be required to be greater than thirty (30) days.”

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: FRENCHIES, LLC

DEVELOPER:

SIGNED:

SIGNED:

BY:

BY:

ITS:

ITS:

DATE:

DATE:

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF MARYLAND**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Area Development Agreement, the following provisions shall supersede and apply to all Frenchies Modern Nail Care franchises sold to residents in the state of Maryland:

1. Section 5 of the Area Development Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but Franchisor intends to enforce it to the extent enforceable.

2. Section 8 of the Area Development Agreement is revised to include the following language:

“Notwithstanding the standing provisions of this section, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.”

3. The representations made in the Area Development Agreement are not intended to nor should they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Section 7 of the Area Development Agreement is revised to provide that, pursuant to COMAR 02.02.08.16L, the general release required as a condition to renewal, sale or consent to assignment/transfer, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. Each provision to this Addendum to the Development Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

6. The Development Agreement states that Colorado law generally applies. However, the conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Maryland law, and we will comply with that law in Maryland.

7. Notwithstanding anything to the contrary in the Development Agreement, nothing will prevent the Franchisee from filing suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: FRENCHIES, LLC

DEVELOPER:

SIGNED:

SIGNED:

BY:

BY:

ITS:

ITS:

DATE:

DATE:

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF MINNESOTA**

This Amendment pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota's statutes and regulations. This Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota. Notwithstanding anything to the contrary set forth in the FRENCHIES, LLC Area Development Agreement, the following provisions will supersede any inconsistent provisions and apply to all FRENCHIES franchises offered and sold in the state of Minnesota:

1. Minnesota law provides franchisees and developers with certain termination and nonrenewal rights. As of the date of this Agreement, Minn.Stat. § 80C.14, *subs.* 3, 4, and 5 require, except in certain specified cases, that the franchisor give a franchisee or developer 90 days' notice of termination (with 60 days to cure) and 180 days' notice of nonrenewal of the Franchise Agreement.

2. FRENCHIES, LLC d/b/a FRENCHIES will protect your right to use the trademarks, service marks, trade names, logotypes, and other commercial symbols or will indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand arising out of or related to the use of the marks to the extent required by Minnesota law. **Section 3** is revised to include the following:

“To the extent required by the Minnesota Franchise Act, Franchisor will protect your rights to use the trademarks, service marks, trade names, logos and other commercial symbols, or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding your use of the marks, provided you are using the Names and Marks in accordance with this Agreement.”

3. Section 18.D of the Franchise Agreement and the Area Development Agreement will be supplemented by the following provision:

Under Minn.Stat. § 80C.21, this Paragraph will not in any way abrogate or reduce any of your rights as provided in Minnesota Statutes, Chapter 80C, including—but not limited to—the right to submit matters to the jurisdiction of the courts of Minnesota.

4. Minn.Stat. § 80C.21 and Minnesota Rule 2860.4400(J) prohibit FRENCHIES, LLC d/b/a FRENCHIES from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. Franchisor will not require Franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minn.Stat. §§ 80C.01 to 80C.22, provided that the foregoing will not bar the voluntary settlement of disputes. To the extent you are required to execute a general release in favor of FRENCHIES, LLC d/b/a FRENCHIES, the release will exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. § 80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

6. Any claims brought under the Minnesota Franchises Act, § 80.C.01 *et seq.* must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement or Area Development Agreement imposes a different limitations period, the provision of the Act will control.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: FRENCHIES, LLC	FRANCHISEE/DEVELOPER:
SIGNED:	SIGNED:
BY:	BY:
ITS:	ITS:
DATE:	DATE:

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF NEW YORK**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of New York:

This New York Addendum is only applicable if you are a resident of New York or if your business will be located in New York.

1. Section 8 of the Area Development Agreement is revised to include the following language:

“Provided, however, that all rights arising under Franchisee’s favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied.”

2. Section 7 of the Area Development Agreement is revised to include the following:

“Franchisor will not make an assignment except to an assignee who, in Franchisor’s good faith judgment, is willing and able to assume its obligations under the Agreement.”

3. The Area Development Agreement is modified by the addition of the following Section 5:

“In addition, Franchisee shall have the right to terminate the Area Development Agreement to the extent allowed under applicable law.”

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: FRENCHIES, LLC

DEVELOPER:

SIGNED:

SIGNED:

BY:

BY:

ITS:

ITS:

DATE:

DATE:

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of North Dakota:

This North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. Section 6.B of the Area Development Agreement is amended to provide that the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.

2. Section 6.B of the Area Development Agreement is modified to delete any requirement that franchisee consent to termination penalties or liquidated damages.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: FRENCHIES, LLC

DEVELOPER:

SIGNED:

SIGNED:

BY:

BY:

ITS:

ITS:

DATE:

DATE:

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF WASHINGTON**

Notwithstanding anything to the contrary set forth in the Frenchies, LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies Modern Nail Care franchises offered and sold in the state of Washington:

This Washington Addendum is only applicable if you are a resident of Washington or if your business will be located in Washington.

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement and your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Area Development Agreement and your relationship with us, including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. In the event of a conflict of laws, to the extent required by the Act, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. To the extent required by the Act, a release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Area Development 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 limitation period for claims under the Act, rights or remedies under the Act, such as rights to jury trial might not be enforceable; however, we agree to enforce them to the extent the law allows.

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

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: FRENCHIES, LLC	DEVELOPER:
<hr/>	<hr/>
SIGNED:	SIGNED:
<hr/>	<hr/>
BY:	BY:
<hr/>	<hr/>
ITS:	ITS:
<hr/>	<hr/>
DATE:	DATE:
<hr/>	<hr/>

FRENCHIES

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EXHIBIT D

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

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OPERATIONS MANUAL**

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EXHIBIT E

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

**LIST OF FRANCHISEES
(INCLUDING AREA DEVELOPMENT AGREEMENT COMMITMENTS)**

**LIST OF FRANCHISEES
(INCLUDING AREA DEVELOPMENT AGREEMENT COMMITMENTS)**

as of December 31, 2016~~5~~

MINNESOTA FRANCHISEES

Name	Location	Phone Number
KATE WENSMANN	8720 207 th Street West, Suite 164 Lakeville, Minnesota 55044	952.683.9393
RYAN MCENANEY	7774 Hargis Parkway, Suite 116 Woodbury, Minnesota 55129	651.434.9626

FRENCHIES

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EXHIBIT F

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS OF FRENCHIES, LLC

FRENCHIES, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
WITH INDEPENDENT AUDITOR'S REPORT

GRABAU & COMPANY, PC

FRENCHIES, LLC

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GRABAU & COMPANY

Certified Public Accountant

A PROFESSIONAL CORPORATION

3570 East 12th Ave., Denver, CO 80206

(303) 861-0434

FAX (303) 863-1296

www.grabau.com

Independent Auditor's Report

Members

Frenchies LLC

Littleton, CO

We have audited to accompanying financial statements of Frenchies, LLC as of December 31, 2016, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, retained earnings and cash flows for the year ended December 31, 2016 and for the period from March 11, 2015 (inception) to December 31, 2015, and the related notes to the balance sheet.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

-2-

G&C

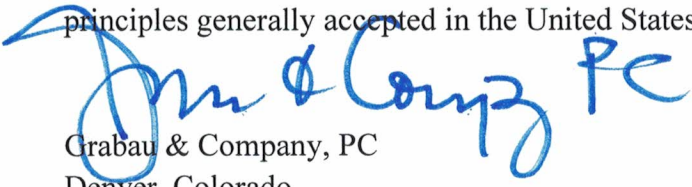
Excellence in a timely manner

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the balance sheet, 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 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation the overall presentation of the balance sheet.

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

Opinion

In our opinion the financial statements referred to in the first paragraph above presents fairly, in all material respects, the financial position of Frenchies, LLC at December 31, 2016 and 2015, and the results of its operations and its cash flows for the year ended December 31, 2016 and for the period from March 11, 2015(inception) to December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.



Crabau & Company, PC
Denver, Colorado
March 31, 2017

FRENCHIES, LLC
BALANCE SHEET
DECEMBER 31, 2016 ANDS 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 28,085	\$ 22,493
Accounts receivable	<u>478</u>	<u>-</u>
TOTAL CURRENT ASSETS	28,563	22,493
Goodwill	<u>21,000</u>	<u>21,000</u>
TOTAL ASSETS	<u>\$ 49,563</u>	<u>\$ 43,493</u>
 <u>LIABILITIES AND MEMBERS EQUITY</u>		
<u>LIABILITITES</u>		
CURRENT LIABILITIES		
Due to affiliated entity	\$ <u>11,387</u>	\$ <u>7,000</u>
TOTAL CURRENT LIABILITIES	11,387	7,000
CONTINGENCIES	-	-
MEMBERS EQUITY	<u>38,176</u>	<u>36,493</u>
TOTAL LIABILITIES AND MEMBERS EQUITY	<u>\$ 49,563</u>	<u>\$ 43,493</u>

The balance sheet should be read only in connection with the accompanying independent auditor's report, summary of accounting policies, and notes to the financial statements.

FRENCHIES, LLC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND FROM MARCH 11,
2015(INCEPTION) TO DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Royalty income	\$ 9,131	\$ -
TOTAL REVENUES	9,131	-
EXPENSES		
Professional Fees	7,813	2,832
Consulting	3,725	500
Travel	1,911	-
Technology	791	-
Marketing	980	-
Other	660	-
Dues and subscriptions	445	-
Bank charges	<u>123</u>	<u>-</u>
TOTAL EXPENSES	<u>16,447</u>	<u>3,332</u>
NET INCOME (LOSS)	(7,317)	(3,332)
MEMBERS EQUITY, BEGINNING OF PERIOD	36,493	-
MEMBER CONTRIBUTIONS	<u>9,000</u>	<u>39,825</u>
MEMBERS EQUITY, END OF PERIOD	<u>\$ 38,176</u>	<u>\$ 36,493</u>

The balance sheet should be read only in connection with the accompanying independent auditor's report, summary of accounting policies, and notes to the financial statements.

FRENCHIES, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND FROM MARCH 11,
2015(INCEPTION) TO DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (7,317)	(3,332)
Adjustments to reconcile net loss to net cash provided by operating activities		
(Increase) decrease in		
Accounts receivables	(478)	-
(Increase) decrease in		
Intangibles		(21,000)
Increase (decrease) in		
Due to affiliated entity	4,387	7,000
Net cash provided by (used in) operating activities	(3,408)	(17,332)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member contributions	9,000	39,825
Net cash provided by financing activities	9,000	39,825
NET INCREASE IN CASH	5,592	22,493
CASH, BEGINNING OF PERIOD	22,493	-
MEMBERS EQUITY, END OF PERIOD	\$ 28,085	\$ 22,493

The balance sheet should be read only in connection with the accompanying independent auditor's report, summary of accounting policies, and notes to the financial statements.

FRENCHIES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. OPERATIONS

Frenchies, LLC (the “Company”) was formed on March 11, 2015, as a limited liability company in the state of Colorado.

The Company offers franchise agreements for the use of the trademark “FRENCHIES™” and related trademarks and service marks for the operation of a business offering hand and foot care services for men and women and the sale of related products. The Company will collect various fees from those signing franchise agreements including initial fees, royalty fees and other such fees as indicated by the franchise agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangibles. Intangibles are stated as cost. Intangibles include legal fees for the franchise registration. Impairment is determined on an annual basis.

Income taxes. The Company anticipates filing partnership tax returns. There is no provision or liability for income taxes is included in the financial statements as members are taxed on their proportionate share of the Company’s taxable income.

Estimates. The preparation of balance sheets in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition. When a franchise is sold, the Company agrees to provide certain service to the franchisee. Generally, these services include assistance in site selection, training personnel, implementation of an accounting systems and design of a quality control program.

Revenue is recognized when substantially all significant services to be provided to the franchisee have been performed.

Deferred revenue represents that portion of the total revenue from initial franchise, licenses and development agreements attributable to services required by the Company that have not yet been performed.

Revenue from royalties, which is based upon a percentage of franchisee sales equal to 5.5% is recognized when earned.

Advertising. All costs related to marketing and advertising are expensed as incurred. Advertising expense was \$980 for the year ended December 31, 2016.

FRENCHIES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes. The Company's members are taxed under sections of Federal income tax law, which provide that each member account for their pro rata shares of income, deductions, losses and credits on their personal income tax returns. As such, there is no income tax expense recorded at the Company level.

Concentrations. The Company maintains a cash balance in an institution participating in the Federal Deposit Insurance corporation program whereby cash deposits are insured up to \$250,000.

3. RELATED PARTY TRANSACTIONS

An entity related to the Company through common ownership has advanced certain funds to the Company. At December 31, 2016 and 2015, the Company owed the related entity \$11,387 and \$7,000, respectively, for funds advanced.

4. DATE OF MANAGERMENTS REVIEW

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 31, 2017, the date the financial statements were available to be issued.

FRENCHIES

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EXHIBIT G

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT
AS REQUIRED BY
THE CALIFORNIA FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary in the FRENCHIES, LLC Franchise Disclosure Document, the following provisions of the California Investment Law will supersede and apply to all Frenchies franchises offered and sold in the state of California, which will control to the extent of any inconsistency:

This California Addendum is only applicable if you are a resident of California or if your business will be located in California.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
2. 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.

We maintain the website found at the URL address: www.frenchiesnails.com. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.corp.ca.gov.

3. Item 3 of the Franchise Disclosure Document is supplemented by the additional paragraph.

“Neither Frenchies nor any person described 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 such persons from membership in such association or exchange.”

4. Based on our current financial condition, the California Department of Business Oversight has imposed a financial assurance requirement. Payment of all initial fees will be deferred until we complete our initial obligations under the Franchise Agreement and the Nail Studio is open for business. Therefore, Item 5 of the disclosure document is supplemented by the following:

We will defer all payment of initial fees and payments until we have completed our obligations under the Franchise Agreement and you have opened your Nail Studio. If we enter into a Development Agreement with you, all initial fees and payments will be deferred until we complete our initial obligations under the Development Agreement and the first Nail Studio opens for business.

- 4.5. Item 17 of the FDD and corresponding provisions in the Franchise Agreement and Area Development Agreement are amended by the insertion of the following:

“The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning termination, ~~renewal, or~~ ~~and~~ non-renewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to

termination, ~~renewal, or non-renewal~~ may be superseded by the Act. There may also be court decisions, which may supersede the Franchise Agreement and your relationship with us, including the areas of termination, ~~renewal, or non-renewal~~ of your franchise. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).”

~~5.6.~~ _____ The Franchise Agreement and Area Development Agreement require application of the laws and forum of Colorado. This provision may not be enforceable under California law.

~~6.7.~~ _____ The Franchise Agreement contains a waiver of punitive damages and jury trial provision.

~~7.8.~~ _____ All other terms and provisions contained in the Franchise Agreement, Area Development Agreement, and FDD will remain in full force and effect except to the extent specifically modified herein.

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES MODERN NAIL CARE
FRANCHISE DISCLOSURE DOCUMENT REQUIRED
BY THE STATE OF ILLINOIS**

For franchises and franchisees/developers subject to the Illinois Franchise Disclosure Act of 1987 and the Illinois General Rules and Regulations under the Franchise Disclosure Act, the following information supersedes or supplements the corresponding disclosures in the main body of the text of the Frenchies, LLC d/b/a Frenchies Modern Nail Care Franchise Disclosure Document.

Item 5 will be supplemented to include the following disclosure:

Under Section 15 of the Illinois Disclosure Act and Section 200.500 of the Rules and Regulations promulgated thereunder, the Illinois Attorney General may require the deferral of the initial franchise fee until the franchisee has open for business under a franchise agreement. Due to our financial condition as stated in our audited financial statements included in the Franchise Disclosure Document, we have agreed to defer payment of the Initial Franchise Fee by franchisees subject to the Illinois Disclosure Act until after the franchisee has commenced doing business under the Franchise Agreement.

Item 17 will be supplemented to include the following disclosure:

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

The franchise agreement provides that the law of a forum outside of Illinois applies. However, the foregoing choice of law clause should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. Where required under Illinois law, the laws of the State of Illinois will govern.

Any provision that designates jurisdiction or venue or requires the franchisee/developer to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that is otherwise enforceable in Illinois, except mediation may take place outside the State of Illinois.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

**NOTICE MANDATED BY SECTION 8 OF
MICHIGAN'S FRANCHISE INVESTMENT ACT**

The following applies to you if you are a Michigan resident or your franchise will be located in 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 the right of a franchisee/developer to join an association of franchisees/developers.

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

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

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

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees/developers 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 will not preclude the franchises from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

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

- ii. The fact that the proposed transferee is competitor of the franchisor or subfranchisor;
- iii. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and
- iv. The failure of the franchisee/developer or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

Any questions regarding the notice should be directed to the Michigan Department of Attorney General, 670 Law Building, Lansing, MI 48913, (517) 373-7117.

ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES FRANCHISE DISCLOSURE DOCUMENT REQUIRED FOR THE STATE OF MINNESOTA

For franchises and franchisees/developers subject to the Minnesota Franchise Act, the following information supersedes or supplements the corresponding disclosures in the main body of the text of the **FRENCHIES, LLC** d/b/a FRENCHIES Franchise Disclosure Document.

Item 13

FRENCHIES, LLC d/b/a FRENCHIES will protect your right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or will indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand arising out of or related to the use of the marks to the extent required by Minnesota law.

Item 17

Minnesota law provides franchisees and developers with certain termination and nonrenewal rights. As of the date of this disclosure document, Minn. Stat. § 80C.14, *subs.* 3, 4, and 5 require, except in certain specified cases, that: (1) a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement; and (2) that our consent to your transfer of the franchise will not be unreasonably withheld.

Minn. Stat. § 80C.21 provides that any condition, stipulation, or provision—including any choice of law provision—purporting to bind any person who, at the time of acquiring a franchise, is a resident of Minnesota or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance or which has the effect of waiving compliance with any provision of §§ 80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit **FRENCHIES, LLC** d/b/a FRENCHIES from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Disclosure Document or agreements can abrogate or reduce: (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C; or (2.) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

To the extent you are required to execute a general release in favor of **FRENCHIES, LLC** d/b/a FRENCHIES, that release will exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. §80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

STATEMENT REQUIRED BY THE STATE OF NEW YORK

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE/DEVELOPER TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES MODERN NAIL CARE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF NEW YORK

In recognition of the requirements of the New York General Business Law, Article 33, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.2 the Franchise Disclosure Document for Frenchies, LLC d/b/a Frenchies Modern Nail Care for use in the State of New York will be amended as follows:

Item 3 will be supplemented by the following:

Neither we, our predecessor, nor any person identified in Item 2 or an affiliate offering franchises under our principal trademark has an administrative, criminal, or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust, or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices, or comparable civil or misdemeanor allegations.

Neither we, our predecessor, nor any person identified in Item 2 or an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud, embezzlement, fraudulent conversion, or misappropriation of property, or unfair or deceptive practices or comparable allegations.

Neither we, our predecessor, nor any person identified in Item 2 or an affiliate offering franchises under our principal trademark is subject to a currently-effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4 will be supplemented by the following:

During the 10-year period immediately before the application for registration, neither we nor our affiliate, any predecessor, or current officers has: (a) filed as a 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 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 our officer held this position in the company.

Item 17, the Summary Column opposite Provision W, will be amended to also state the following:

The foregoing Choice of Law should not be considered a waiver of any right conferred upon the franchisor or the franchisee/developer by the General Business Law of the State of New York, Article 33.

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES MODERN NAIL CARE
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF NORTH
DAKOTA**

For franchises and franchisees/developers subject to the North Dakota Franchise Investment Law, the following information replaces or supplements the corresponding disclosures in the main body of the text of the Frenchies, LLC d/b/a Frenchies Modern Nail Care Franchise Disclosure Document:

Item 17.

The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law to the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from Item 17I, and any other place it appears in the Franchise Disclosure Document and the Franchise Agreement.

Under the North Dakota Franchise Investment Law, any provision requiring franchisees/developers to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void. Any mediation or arbitration will be held at a site agreeable to all parties. The laws of North Dakota will govern any dispute.

Covenants not to compete such as those mentioned in Item 17 of the Franchise Disclosure Document, Section 17 of the Franchise Agreement, and Section 13 of the Area Development Agreement are generally considered unenforceable in the State of North Dakota.

The Franchise Agreement and the Area Development Agreement include a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees/developers and is deemed deleted in each place it appears in the Franchise Disclosure Document, Franchise Agreement, and Area Development Agreement.

The Franchise Agreement and the Area Development Agreement require franchisees/developers to consent to a waiver of trial by jury. That requirement will not apply to North Dakota franchisees/developers and is deemed deleted in each place it appears in the Franchise Disclosure Document, Franchise Agreement, and Area Development Agreement.

The Franchise Disclosure Document, Franchise Agreement and Area Development Agreement state that franchisees/developers must consent to the jurisdiction of courts in the State of Colorado. That requirement will not apply to North Dakota franchisees/developers and is deemed deleted in each place it appears in the Franchise Disclosure Document, Franchise Agreement, and Area Development Agreement.

The Franchise Agreement and the Area Development Agreement require franchisees/developers to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees/developers and, instead, the statute of limitations under North Dakota law will apply.

For North Dakota franchisees/developers, the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.

The Commissioner has determined that any requirement for franchisees/developers to consent to termination or liquidated damages is unfair, unjust, and inequitable within the intent of the North Dakota Franchise Investment Law. Any references in the Disclosure Document requiring franchisees/developers to consent to termination penalties or liquidated damages are deleted in Disclosure Document, Franchise Agreement, and Area Development Agreement.

**AMENDMENT TO FRENCHIES, LLC D/B/A FRENCHIES MODERN NAIL CARE
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY
THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Frenchies, LLC d/b/a Frenchies Modern Nail Care for use in the Commonwealth of Virginia will be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise or area development 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.

Additional Disclosure: The following statement is added to Item 5:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising require us to defer payment of the Development Area fee, 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. Payment of the Development Area Fee will be due to the franchisor, on a pro-rata basis, upon the franchisor’s completion of its pre-opening obligations for each franchise opened under the Development Agreement.

**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES MODERN NAIL CARE
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY**

THE STATE OF WISCONSIN

For franchises and Franchisees/developers subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements the corresponding disclosures in the main body of the text of the Frenchies, LLC d/b/a Frenchies Modern Nail Care Wisconsin Franchise Disclosure Document.

Item 17.

For Wisconsin franchisees/developers, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or Area Development Agreement or a related contract between Franchisor and franchisee/developer inconsistent with the Law.

FRENCHIES

modern nail care

EXHIBIT H

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE – PROSPECTIVE FRANCHISEES

As you know, FRENCHIES, LLC (the “**Franchisor**”) and you are preparing to enter into a Franchise Agreement for the operation of a franchised Frenchies® studio (the “**Franchise**”). The purpose of this Questionnaire is, in large part, to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions carefully and provide honest responses to each question.

QUESTION	YES	NO
1. Have you received and personally reviewed the Franchise Disclosure Document provided to you?		
2. Did you sign a receipt (Item 23) for the Franchise Disclosure Document indicating the date you received it?		
3. Do you understand all of the information contained in the Franchise Disclosure Document?		
4. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5. Do you understand the terms of and your obligations under the Franchise Agreement?		
6. Are you legally eligible to work or own a business in the United States and/or Canada, including the state or province in which the Franchise will be located?		
7. Has any employee or other person speaking on behalf of the Franchisor made any statement or representation about the actual, average, or projected revenues or profits that you, Franchisor, or any of our franchisees have achieved in operating the Franchise, other than what is contained in the Franchise Disclosure Document?		
8. Has any employee or other person speaking on behalf of the Franchisor made any promise or agreement, other than the agreements contained in your Franchise Agreement, about advertising, marketing, media support, market penetration, training, support service or assistance, or any other material subject relating to the Franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?		
9. Has any employee or other person speaking on behalf of the Franchisor made any other oral, written, visual, or other promises, agreements, commitments, understandings, rights-of-first refusal, or otherwise to you about any matter, except as expressly set forth in the Franchise Agreement or in an attached written Amendment signed by you and us?		
10. Are you legally eligible to travel to and attend New Franchisee Training at one of our designated training centers in the United States? If you answer “no,” please provide an explanation here: _____ _____ _____		
11. Are you currently involved in any other businesses/franchises that may interfere with the non-compete commitments in the FRENCHIES Franchise Agreement, or any other agreements you may have with other businesses/franchises? If yes, please describe the businesses/franchises here: _____ _____ _____		

QUESTION	YES	NO
12. Are there any contingencies, prerequisites, or other reservations existing (excluding obtaining financing for equipment or build-out of your Nail Studio) that will affect your ability to sign or perform your obligations under the Franchise Agreement?		
13. Have there been any changes in any of the information you have provided to us or our affiliates in connection with any application for the Franchise, or in any application, statement, or report you have provided to us? If yes, please describe the changes here: _____ _____ _____		
14. Have you been proven to have engaged in fraudulent conduct, or been convicted of, or plead guilty or no contest to, a felony or misdemeanor involving dishonesty or fraudulent conduct, or do you have any such charges pending? If yes, please describe all relevant facts on a separate sheet of paper and attaché it to this Agreement.		
15. Have you, in the past 10 years, declared bankruptcy, or taken any action, or had any action taken against you, under any insolvency, bankruptcy, or reorganization act? If yes, please describe all relevant facts below. _____ _____ _____		
16. Have you brought, been named in, or been directly involved in any past or pending litigation or formal dispute resolution process? If yes, please describe all relevant facts below. _____ _____ _____		
17. Is there any information that might appear on a credit or criminal history report that you wish to disclose and/or address, knowing that failure to disclose such information may be considered grounds for denial of a franchise? If yes, please describe all relevant facts below. _____ _____ _____		

Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed: _____

You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully, completely, and correctly to the above questions. No representations contained in this Questionnaire are intended to or will act as a release, estoppel, or waiver of any liability incurred under any applicable franchise law.

All prospective franchisees applying please sign and date here:

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

3 Key Questions – New Franchisees

1. Why are you a good fit for Frenchies? Why will you be an exceptional franchisee?

2. Aside from operating your own studio, how will you make the Frenchies brand and franchise system as a whole stronger?

3. Franchisees purposely give up some entrepreneurial freedom in exchange for joining an established system that provides ongoing education and support. You'll be tapping into a network of vendors, corporate staff, and fellow franchisees, all of whom can help you to flatten your learning curve and reduce your chances for error. Are you willing to trade some of your entrepreneurial freedom to work within this system?

All prospective franchisees applying please sign and date here:

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

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 FRENCHIES, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If FRENCHIES, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on **Exhibit A**.

The franchisor is FRENCHIES, LLC, a Colorado limited liability company with an address of 5931 Rain Dance Trail, Littleton, Colorado 80125. Its telephone number is 720.526.2935.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

ISSUANCE DATE: ~~April 28, 2016~~ April 27, 2017

FRENCHIES, LLC authorizes the respective parties identified on **Exhibit A** to receive service of process for us in the particular state, except in the State of Colorado, where any of our officers are authorized to receive service of process on our behalf.

I have received a Disclosure Document with an Issuance Date of ~~April 28, 2016~~ April 27, 2017, that included the following Exhibits:

- EXHIBIT A: LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS
- EXHIBIT B: FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS
- EXHIBIT C: AREA DEVELOPMENT AGREEMENT, GUARANTY, AND STATE-SPECIFIC ADDENDA
- EXHIBIT D: TABLE OF CONTENTS OF OPERATIONS MANUAL
- EXHIBIT E: LIST OF FRANCHISEES
- EXHIBIT F: FINANCIAL STATEMENTS
- EXHIBIT G: STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT
- EXHIBIT H: FRANCHISEE QUESTIONNAIRE

Please indicate the date on which you received this Disclosure Document, and then sign and print your name below, indicate the date you signed this receipt, and promptly return one completed copy of the Receipt to FRENCHIES, LLC at 5931 Rain Dance Trail, Littleton, Colorado 80125. The second copy of the Receipt is for your records.

[THE REMAINDER OF THIS PAGE WAS LEFT BLANK INTENTIONALLY. A SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE.]

PROSPECTIVE FRANCHISEE:

DISCLOSURE DOCUMENT RECEIVED:

DATE:

RECEIPT SIGNED:

DATE:

SIGNED:

PRINTED NAME:

COMPANY:

TITLE:

ADDRESS:

RECEIPT

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PROSPECTIVE FRANCHISEE:

DISCLOSURE DOCUMENT RECEIVED:

DATE:

RECEIPT SIGNED:

DATE:

SIGNED:

PRINTED NAME:

COMPANY:

TITLE:

ADDRESS:
