

## FRANCHISE DISCLOSURE DOCUMENT



**Sparkle Franchising LLC**

4250 N Drinkwater Blvd, Suite 165

Scottsdale, AZ 85251

(480) 550-8159

hello@sparkledogcare.com

This disclosure document is for the right to own and operate a franchise (~~“Salon”~~) ~~in which you will be responsible for operating (“Salon(s)”) wellness-focused dog grooming salon (“Salon”) specializing in providing routine hygiene and grooming services for pet owners to keep your furry family members clean, healthy, and happy.~~ at a specific location under the trademarks “Sparkle<sub>2</sub>”; ~~“Sparkle Dog Wash & Grooming Bar”;~~ and “Sparkle Grooming Co.”; and other ~~marks we authorize~~ trademarks that we specify and designate (collectively the (“Marks”)).

The total investment necessary to begin operation of a Sparkle franchise ranges from \$235,7950 to ~~\$445,250~~472,750. This includes ~~\$4148,750 to \$56,250~~ that must be paid to us or ~~an our~~ affiliates. The total investment to begin operation of a Sparkle Development Agreement is \$58,000 to \$145,000. This includes \$58,000 to \$145,000 that must be paid to the Franchisor or its affiliates. The ~~investment to begin operation of a Sparkle Development Agreement is in addition to the investment to begin operation of a Sparkle franchise, which is a requirement to enter into a Development Agreement with us~~ range of Development Fees reflects your purchase of between three (3) and six (6) additional franchise agreements although you may purchase more franchise agreements. The Development Fee is calculated by multiplying the applicable Initial Franchise Fee by the number of purchased franchise agreements.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lyle Myers, Chief Development Officer, Sparkle Franchising LLC, 4250 N Drinkwater Blvd, Suite 165, Scottsdale, AZ 85251, (480) 550-8159, hello@sparkledogcare.com.

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

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

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

Issuance Date: ~~March 1~~ April 29, 2024

## How to Use This Franchise Disclosure Document?

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

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

## What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About This Franchise

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

1. **Out of State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation or litigation only in Arizona. Out-of- state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate or litigate with franchisor in Arizona than in your state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Mandatory Minimum Payments.** You must make minimum ~~Brand Fund~~advertising payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
6. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
7. **Franchisor's Right to Buy Back Franchise for Any Reason.** The franchise agreement gives the franchisor a unilateral right to buy your business for any reason or no reason before the franchise expires or is terminated. As a result, you may be required to sell your business for a price that might be below the value of the business if you sold to a third party instead.

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

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### **Exhibits to Disclosure Document:**

- A- State Administrators/Agents For Service Of Process
- B- Franchise Agreement
- C- Operations Manual Table Of Contents
- D- Financial Statements Of Franchisor
- E- Confidentiality Agreement
- F- List Of Franchisees
- G- State-Specific Disclosures
- H- Form Of General Release Agreement
- I-Development Agreement
- J- State Effective Dates
- K- Receipts

# ITEM 1

## THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

### Franchisor, Parent, and Affiliates

The Franchisor is Sparkle Franchising LLC, an Arizona limited liability company formed on December 18, 2023 ("Franchisor" or "we" or "us"). We offer franchises to establish and operate ~~salons that offer~~ wellness-focused dog grooming salons specializing in providing hygiene and grooming services for pet owners that makes it easy to keep your furry family members clean, healthy, and happy under the names "Sparkle"; ~~"Sparkle Dog Grooming,"~~ and "Sparkle Grooming Co."; ~~and/or "Sparkle Dog Wash & Grooming Bar"~~ ~~and/or our then-current proprietary marks (collectively,~~ and other trademarks and service marks that we specify from time to time (the "Marks") (each a "Sparkle Salon" or "Salon"). We have offered Sparkle Salon franchises since March 2024. We do not currently do business under any other names. Our principal business address is Sparkle Franchising LLC, 4250 N Drinkwater Blvd, Suite 165, Scottsdale, AZ 85251.

Our agent for service of process is United Corporate Services, Inc., 7226 E. Maverick Road., Scottsdale, AZ 85258. Our agents for service of process in several states are identified on Exhibit A.

We do not have any affiliates or predecessors.

Except as provided in this Item, we have not offered and do not offer franchises in any other line of business and we are not otherwise involved in any substantive business activity, including operating any businesses of the type to be operated by the franchisee.

Franchisor's parent is Sparkle Grooming Corp. ("Parent") Its principal business address is 4250 N Drinkwater Blvd, Suite 165, Scottsdale, AZ 85251. Parent has owned and operated a Sparkle Salon in Gilbert, Arizona since August 2023. Parent does not offer franchises in any line of business.

### Franchise Offered

We offer franchises to operate wellness-focused dog grooming salons specializing in providing routine hygiene and grooming services for pet owners that makes it easy to keep your furry family members clean, healthy, and happy ("Salon(s)" or "Franchised Business(es)") at a specific location under the trademarks "Sparkle"; ~~"Sparkle Dog Grooming,"~~ and "Sparkle Grooming Co."; ~~and/or "Sparkle Dog Wash & Grooming Bar,"~~ ~~and other marks we authorize,~~ and other trademarks and service marks that we specify from time to time (the "Marks"). Salons will typically be located in a retail shopping center and will generally be between 1,000 to 2,000 square feet in size. We may consider alternative sites, on a case-by-case basis. Under the Franchise Agreement, we will grant you the right to operate your Salon within a designated geographical area where you will also be able to actively promote the Salon and solicit new customers prior to opening and on an ongoing basis once you commence operations (the "Protected Territory"). If you own an existing dog grooming or pet wellness business and meet our other qualifications, you may convert your existing business to a Salon that utilizes ~~our~~the Marks and System.

Each Salon will offer monthly membership plans, ala carte dog grooming services, and other services that we authorize (collectively, the "Approved Services"). Approved Services will typically be paid for and scheduled in person, via telephone, via a dedicated mobile application, or via the Internet.

The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as the principal franchisee-operator(s) (the "Operating Principal(s)"). The Operating Principal(s) named shall have the authority to act for you in all matters relating to your Salon, including cooperative voting responsibilities. By signing the Franchise Agreement, you and the Operating Principal(s) agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of business activities, which must be fully disclosed prior to signing this document, in which you or

your Operating Principal(s) may be involved, we may require you or your Operating Principal(s) to sign additional confidentiality and non-competition agreements.

### **Development Agreement**

We also offer qualified individuals and entities the right to open and operate multiple Salons within a designated geographical area (the "Development Area") under our current form of development agreement that is attached to this Disclosure Document as Exhibit I (the "Development Agreement"). The Development Agreement will outline a schedule or defined period of time in which you must open and commence operating each Salon (a "Development Schedule").

You will be required to sign a Franchise Agreement at the same time you sign your Development Agreement for the initial Salon we grant you the right to open within the Development Area. You will need to sign our then-current form of franchise agreement for each of the Salons you open under the Development Agreement, which may differ from the current Franchise Agreement included with this Disclosure Document.

You will be required to pay us a one-time development fee that will be calculated based on the number of Salons we grant you the right to open under the Development Agreement (the "Development Fee").

### **Separate Franchise Disclosure Document (Regional Developer Franchises)**

In a separate franchise disclosure document, we offer area representative ("Regional Developer") franchises to recruit prospective Sparkle franchisees ("Franchisee(s)") in a defined geographic area (the "Development Area") and support Franchisees in the Development Area during the term of the Development Agreement.

### **Market and Competition**

Your Salon will offer dog grooming, wellness, and essential dog care services, as well as other related goods and services to the general public. The dog grooming market is well developed and competitive. You will compete with national brands, local chains, local shops, mobile units, veterinary offices, and other retail businesses that offer competitive products and services. Your competitors may include well-established international, national, regional, and local chains, which may have significant financial, marketing, and other resources. Sales of our products and services are not seasonal, and customers require dog grooming, wellness, and dog care services throughout the year.

### **Applicable Regulations**

Your Salon will be subject to ~~various~~ federal, state, and local government regulations regarding vaccinations, ~~licenses, site location and building construction, such as the American with Disabilities Act; noise ordinances;~~ grooming ~~licenses~~ inges (where applicable), registration and permit laws and requirements; bonding requirements; environmental and hazardous waste laws; and health, sanitation, and safety laws and regulations, licenses, site location and building construction, such as the American with Disabilities Act; and noise ordinances. Local city and county zoning ordinances may prohibit you from establishing your Salon in a particular location due to applicable land-use codes, which may prohibit dog-related services in certain neighborhoods, commercial zones, and/or business districts.

~~You must operate your Salon in full compliance with all applicable laws, ordinances and regulations, including, without limitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws. You will be solely responsible for all employment-related decisions relevant to the Salon. There may be local licensing and insurance requirements related to the Salon operations, including workers' compensation insurance, that you will need to ensure compliance with (in addition to your insurance-related requirements in our franchise agreement).~~

~~There may be other specific laws or regulations in your county or municipality regarding the operation of this business and businesses in general, which may include licensing and government regulations.~~ Certain states require your confirm that all pets at your Salon are vaccinated against rabies, Bordetella, and DHPP. Certain states require your groomers to be licensed with applicable regulatory authorities. It is your sole responsibility to obtain and keep in force all necessary licenses and permits required by public authorities. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your ~~Scenter~~[Salon](#)

~~You should consult with an attorney, and local and state agencies/authorities, before buying a Sparkle franchise to determine if there are any specific regulations you must comply with as it relates to offering the Salon products and services to consumers in your state and consider the effects on you and the cost of compliance.~~ If you enter into a franchise agreement with us, you will be required to ensure that our directives, whether reflected in the Manuals or otherwise, are ~~carried out~~[employed](#) in a manner that is consistent with all applicable laws where your franchised Salon(s) is/are located.



## ITEM 2 BUSINESS EXPERIENCE

**Ben Crawford-Chief Executive Officer.** Mr. Crawford has been our Chief Executive Officer since our formation on December 18, 2023. Mr. Crawford is also the Chief Executive Officer of Parent which was formed on August 31, 2022. Since May 2011, Mr. Crawford has been the owner/operator of TJ Memorial Investments, Inc., a multi-unit franchise owner for The Joint Chiropractic in Houston, Texas.

**Joe Aepli-Chief Operating Officer.** Mr. Aepli has been our Chief Operating Officer since our formation ~~in January~~ on December 18, 2023. Mr. Aepli has also been the Chief Operating Officer of Parent since formation. Between March 2010 and December 2022, Mr. Aepli held multiple cross-functional positions at The Joint Corp., ~~Franchisor The Joint Chiropractic~~ in Scottsdale, Arizona (03/2010-06/2021 - Director of Digital Marketing & Content, 06/21-05/22 - Director of Brand & Digital Experience, 05/22-12/22 - Sr. Director of Brand & Digital Experience).

**Ben Crawford Jr.-Chief Financial Officer.** Mr. Crawford has been our Chief Financial Officer since our formation in December 18, 2023. Mr. Crawford is also the Chief Financial Officer of Parent. From June 2021 through December 2023, Mr. Crawford was the Chief Financial Officer for House 17 in Boston MA. Prior to this, Mr. Crawford was an investment banker at G2 Capital Advisors in Boston, Massachusetts, an industry focused investment bank and restructuring advisor from January 2019 to June 2021.

**Lyle Myers-Chief Development Officer.** Mr. Myers has been our Chief Development Officer since our February 2024. Between July 2022 and January 2025, Mr. Myers ~~has been~~ was the Chief Development Officer for iFlex Franchising LLC in Scottsdale, Arizona ~~since July 2022~~. Between January 2017 and March 2021, Mr. Myers was the President of Clovr Life Spa Franchising LLC formally known as Sirius Day Spa Franchising, LLC in Scottsdale, AZ. From January 2015 through July 2020, he was the President of Redline Athletics Franchising, LLC in Scottsdale, Arizona. From April 2013 through July 2022, Mr. Myers was an independent franchise management consultant.

**Steve Dick-Senior Vice President of Operations.** Mr. Dick has been our Senior Vice President of Pet Care since our formation in December 18, 2023. Mr. Dick has been the Senior Vice President of Operations of Parent since April 2023. Between January 2016 and May 2023, Mr. Dick was a District Manager with Dick's Sporting Goods in Phoenix, Arizona.

## ITEM 3 LITIGATION

There is no litigation required to be disclosed in this Item.

## ITEM 4 BANKRUPTCY

There are no bankruptcies required to be disclosed in this Item.

## ITEM 5 INITIAL FEES

### Initial Franchise Fees.

If this is your first Sparkle Salon franchise agreement, you pay us a nonrefundable \$39,000 initial fee ("Initial Franchise Fee") when you sign the Franchise Agreement. The Initial Franchise Fee for your second and each subsequent Sparkle Salons will be \$29,000.

The Initial Franchise Fee is uniformly imposed except for the discounts disclosed in this Item 5.

We reserve the right to offer other Initial Franchise Fee discounts on a case-by-case basis. For example, we may offer a discount as an inducement for a franchisee to open a Salon in a substandard market.

All Initial Franchise Fees are fully earned and non-refundable. ~~There is no financing available from us for the payment of Initial Franchise Fees. We reserve the right to modify Initial Franchise Fees in the future to reflect the changing costs of doing business and changes in the value of a Salon.~~

### Technology Fee.

You will pay us a non-refundable Technology Fee of \$2,250 for of our proprietary office management software and other required software necessary for the operation of your Salon for the first three (3) months that your Salon is open for business when you execute a lease agreement for your Sparkle Salon.

### Initial Training Fee.

The cost of the Initial Training Program for Franchisee (or its Operating Principal) and Franchisee's Manager are included in the Initial Franchise Fee. If you desire to bring additional people to the Initial Training Program, we may charge you ~~\$1,5000~~ - \$3,000 per additional person attending the Initial Training Program. This fee is not refundable.

### Development Fee.

If you sign a Development Agreement, you will pay us a Development Fee. The Development Fee is ~~the Initial Franchise Fee multiplied by~~ calculated by multiplying the number of Salons that you ~~and we have~~ agreed ~~that you may~~ to open in the Development Area. by the Initial Franchise Fee for each such Salon. As long as you sign a Franchise Agreement and pay the Initial Franchise Fee for your first Sparkle Salon, the Development Fee will be \$29,000 per additional Sparkle Salon. This fee is non-refundable.

You will not pay any additional fees in connection with your execution of a Development Agreement. If and when you sign a Franchise Agreement, you will be obligated to pay those initial fees associated with the Franchise Agreement including the Initial Training Fee each of which are detailed in this Item 5.

The fees we charge you are uniformly imposed regardless of whether you are opening a new Salon or converting an existing third party business into a Salon.

## **ITEM 6 OTHER FEES**

### OTHER FEES

| Fee (1), (2)                               | Amount                                                                                                       | Due Date                                                                                                         | Remarks                                                                                                             |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Royalty Fee                                | 7% of Net Sales                                                                                              | Bi-monthly on the 3rd and 17 <sup>th</sup> based upon Net Sales for the prior 1/2 month. (2)                     | Based on bi-monthly Net Sales (3).                                                                                  |
| Brand Fund Contribution                    | The greater of 2% of Net Sales and \$600 per month (collected \$300 per bi-monthly payment schedule)         | Bi-monthly on the 3rd and 17 <sup>th</sup> based upon Net Sales for the prior <del>week</del> <u>1/2 month</u> . | Collected bi-monthly at the same time and in the same manner as Royalty Fees.                                       |
| Local or Regional Advertising Cooperatives | <del>Varies without limitation. Vote of co-operative will determine required contribution</del> <u>To be</u> | As <del>determined</del> <u>required</u> by the co-operative <u>but no more than two percent (2%) of Net</u>     | The amounts contributed to <del>the Advertising Cooperative</del> <u>Regional Co-ops</u> may be applied towards the |

| Fee (1), (2)                          | Amount                                                                                                                                          | Due Date                                         | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                       | <u>determined by the cooperative</u>                                                                                                            | <u>Sales</u>                                     | Local <del>Market</del> Advertising Requirement. <u>Each Salon in the cooperative has 1 vote. If we own the majority of Salons in a cooperative and we intend to change the fee imposed by the cooperative, we will need at least 2 other franchisees in the cooperative (or 1 other franchisee if less than 2 franchisees in operation in the cooperative) to vote in favor of the fee change.</u>                                                                                                                                                  |
| Minimum Local Advertising Requirement | The greater of 5% of Net Sales and \$3,000 per month                                                                                            | Approved third party vendors                     | Based on monthly Net Sales (3).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Technology Fee (4)                    | \$750 per month                                                                                                                                 | Monthly on or before the 10th day of each month. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Interest                              | Lesser of (i) the highest commercial contract interest rate permitted by state law, and (ii) the rate of 18% per annum                          | Upon invoice                                     | Charged on any late payments of Royalty Fees, contributions to Franchisor's Brand Fund, amounts due for product purchases, or any other amounts due <u>to</u> our affiliates or us.                                                                                                                                                                                                                                                                                                                                                                  |
| Audit Expenses                        | <del>Cost of</del> <u>Our actual costs of conducting the audit and inspection, plus any reasonable</u> including accounting and legal expenses. | Upon invoice                                     | Payable if you fail to timely submit required reports <u>and we audit your Salon</u> . Also applies if an audit reveals you have understated Net Sales by at least 2% for any period of time.                                                                                                                                                                                                                                                                                                                                                        |
| Ongoing Training Fee                  | Up to \$1,000 per day per person (plus reimbursement of expenses for on-site training)                                                          | Upon invoice                                     | We may require that you attend periodic ongoing training programs. You may also request that we provide additional training (we are not required to provide this training). We may charge the ongoing training fee for any ongoing training we provide. If we agree to provide onsite training, you must also reimburse us for all reasonable expenses we incur, such as for travel, meals, and lodging. You are responsible for all costs you incur (including travel, meals, lodging, wages, etc.) for any of your personnel that attend training. |

| Fee (1), (2)             | Amount                                                                                                                                                                                                                                              | Due Date                                         | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Meeting Fee              | Currently \$1,000 per person                                                                                                                                                                                                                        | Upon invoice                                     | We may require that the franchise owners attend periodic franchise owner meetings. We may charge you the Meeting Fee for each owner that attends. The Meeting Fee does not include the costs you incur for travel, meals, and lodging, which are also your responsibility. We may increase the Meeting Fee upon written notice to you <u>if our costs of organizing and providing the meeting increases</u> . We may charge the Meeting Fee to you even if you do not attend the associated meeting. |
| Remediation Training Fee | We may charge you up to \$1,000 per day per person participating in remediation training program. You agree to pay all travel and living expenses incurred by you and your employees and/or our employees during all training courses and programs. | Upon invoice.                                    | We may <del>also</del> require you and/or your managers and employees to complete remediation training if we believe you or your employees require additional training to operate your Sparkle Salon to our standards. We may charge you a Remediation Training Fee if we elect to provide you with this training.                                                                                                                                                                                   |
| Insurance (5)            | Our cost to obtain insurance coverage for you and plus a \$500 administrative fee per event. and any other fees, including attorneys' fees, incurred by us                                                                                          | Upon invoice                                     | Payable if you fail to maintain required insurance coverage and we obtain coverage for you.                                                                                                                                                                                                                                                                                                                                                                                                          |
| Successor Franchise Fee  | 25% of the then current initial franchise fee                                                                                                                                                                                                       | Payable upon renewal of the Franchise Agreement. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Transfer Fee (6)         | \$15,000 per transfer <u>subject to applicable state law</u>                                                                                                                                                                                        | Payable upon your request to transfer your Salon | Applies to any transfer of the Franchise Agreement or any change of ownership of the franchisee. <del>A "Permitted Transfer" is any transfer of an ownership of less than 5% or any transfer of an interest by an owner to an immediate family member or related trust unless the transfer results in a new person owning a controlling interest.</del>                                                                                                                                              |

| Fee (1), (2)                    | Amount                                                                                                                                                                                                                  | Due Date                                                                                                              | Remarks                                                                                                                                                                                                                                                     |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relocation Fee (7)              | \$2,500 per relocation                                                                                                                                                                                                  |                                                                                                                       | Applies to the relocation of a Salon in the same market and as approved by us.                                                                                                                                                                              |
| Management Fee (8)              | The greater of (i) two times the salary paid to the individual(s) assigned by us to operate the Salon, or (ii) 10% of the Salon's monthly Net Sales; plus, expenses for travel, lodging, meals, and all other expenses. | Payable on a monthly basis at the same time as Royalties and Brand Fund contributions if we manage your Salon for you | Payable if we manage your Salon.                                                                                                                                                                                                                            |
| Alternative Supplier Fee        | Our costs of testing new products or inspecting suppliers you propose (amount depends on circumstances, including supplier's location, testing required, and item involved).                                            | Upon invoice                                                                                                          | If you propose a new supplier or product for our approval, we may charge you the supplier review fee.                                                                                                                                                       |
| Legal Costs and Attorney's Fees | All legal costs and attorneys' fees that we incur in exercising our rights under the terms of the Franchise Agreement                                                                                                   | Upon invoice                                                                                                          | Payable if we must enforce the Franchise Agreement, or defend our actions related to, or against your breach of, the Franchise Agreement.                                                                                                                   |
| Indemnification                 | All amounts (including attorney's fees) incurred by us or otherwise required to be paid by us arising or related to the operation of your Salon                                                                         | As incurred                                                                                                           | Payable to indemnify us, our affiliates, and our and their respective owners, officers, directors, employees, agents, successors and assigns against all claims, liabilities, costs, and expenses related to your ownership and operation of your franchise |
| Late Report Fee                 | \$250 per week                                                                                                                                                                                                          | Upon invoice                                                                                                          | We may charge a late report fee of \$250 for each week following the due date that you do not submit any report to us.                                                                                                                                      |
| De-identification               | All amounts incurred by us                                                                                                                                                                                              | As incurred                                                                                                           | Payable if we de-identify the franchise upon its termination, relocation, or expiration                                                                                                                                                                     |
| Termination Fee(9)              | 50% of then-current initial franchise fee, plus our attorney's fees and costs                                                                                                                                           | On demand                                                                                                             | If you or we terminate your franchise before your franchise term expires                                                                                                                                                                                    |
| Maintenance Cost Reimbursement  | Costs we incur to bring the appearance of your Salon into compliance with our standards if you fail to do so upon our written request                                                                                   | On demand                                                                                                             | Payable if we notify you that your Salon does not meet our then current standards, you do not improve the appearance of your Salon to meet our then current standards, and we incur costs                                                                   |

| Fee (1), (2)                                        | Amount                                                                                                    | Due Date                | Remarks                                                                                                                                     |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
|                                                     |                                                                                                           |                         | and expenses to improve your Salon to meet our then current standards                                                                       |
| Customer Complaint Reimbursement                    | Costs we incur to resolve complaints for your customers if you fail to reasonably satisfy such complaints | Upon demand             | Payable if you fail to reasonably resolve one or more customer complaints and we resolve such complaint on your behalf.                     |
| <a href="#">Development Agreement Extension Fee</a> | <a href="#">\$2,500 per month</a>                                                                         | <a href="#">Monthly</a> | <a href="#">You may extend the Development Deadline to open a Sparkle Salon, on a month to month basis, by paying us the Extension Fee.</a> |

The tables above and accompanying notes describe the nature and amount of all other fees that you must pay to us or our affiliates, or that we or our affiliates impose or collect in whole or in part for a third party, whether on a regular periodic basis or as infrequent anticipated expenses, in operating your Salon.

### **Explanatory Notes:**

(1) All fees are generally uniform, and imposed by, collected by, and payable to us. In certain instances, we may waive or defer some of the fees set forth in the table. However, we will not do so unless we determine in our sole and absolute discretion that it is in the best interest of the franchise system as a whole. **All fees are nonrefundable.**

(2) You must pay all amounts due to us by automatic debit. After you sign the documents we require to debit your business checking account automatically for the amounts due, we will debit your bank account for the Royalty Fee, ~~Advertising Fee~~[Brand Fund Contribution](#), and other amounts you owe us, including administrative fees. You must make funds available for withdrawal from your account before each due date.

If you do not accurately report your Salon's Net Sales for any ~~week~~[period](#), we may debit your account for 120% of the Royalty Fee and ~~Advertising Fee~~[Brand Fund Contribution](#) amounts that we debited during the previous ~~week~~[period](#). If the Royalty Fee and ~~Advertising Fee~~[Brand Fund Contribution](#) amounts we debit are less than the Royalty Fee and ~~Advertising Fee~~[Brand Fund Contribution](#) amounts you actually owe us (once we determine the Salon's actual Net Sales for the ~~week~~[period](#)), we will debit your account for the balance on the day we specify. If the Royalty Fee and ~~Advertising Fee~~[Brand Fund Contribution](#) amount we debit is greater than the Royalty Fee and ~~Advertising Fee~~[Brand Fund Contribution](#) amount you actually owe us, then we will credit the excess amount, without interest, against the amount we otherwise would debit from your account during the following ~~week~~[period](#).

(3) "Net Sales" means the total of all revenue and receipts derived from the operation of the Salon, including all amounts received at or away from the Salon, or through the business the Salon conducts (such as fees for Services, fees for the sale of products, gift card sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only ~~tips~~, sales taxes collected from customers and paid to the appropriate taxing authority, and customer refunds.

(4) We charge a monthly fee in exchange for use of our proprietary software and other required software necessary to operate your Salon (the "Technology Fee"). The Technology Fee is currently \$750 per month. We reserve the right to increase the Technology Fee up upon 30 days prior written notice [to you although any increase in the Technology Fee will only be based upon an increase in our costs and expenses in providing technology services to you.](#)

(5) If you fail to pay the premiums for insurance required to operate your franchise, including but not limited to, general or professional liability insurance, or to include us as an additional insured on such insurance, we may obtain such insurance coverage for you and you will be required to reimburse us within 10 days of receipt of a demand for reimbursement from us, together with a \$500 administrative fee per event, and any other fees, including attorneys' fees, incurred by us. We will have the right to debit your account the amounts owed to us for such premiums and fees if you fail to pay us within 10 days of our request for reimbursement.

(6) You must pay us a transfer fee equal to \$15,000 ("**Transfer Fee**"). The Transfer Fee is non-refundable, however, if the proposed Transfer transaction does not close, then we shall apply the Transfer Fee against the transfer fee for any subsequent Transfer that you close within the 12-month period following your initial Transfer application. For transfers of an ownership interest of less than 5% or transfers of any ownership interest to a spouse, child, sibling, or parent, or a trust or similar entity, which do not result in creation of a controlling ownership stake, you must pay an administrative fee of \$2,500 (which is paid in lieu of the \$15,000 ~~t~~Transfer ~~f~~Fee). You may not transfer or sell an unopened ~~License~~ Franchise Agreement unless we permit the transfer or sale in writing, and in accordance with the terms of your franchise agreement. You must reimburse us for reasonable expenses incurred by us in investigating and processing any proposed new owner where a transfer is not finalized, for any reason, and you will be responsible for all expenses we incur including but not limited to attorneys' fees we incur, up to a total of \$5,000. If you are in default of your Franchise Agreement, or any other agreement with us, we may deny you the right to transfer the ~~License~~ Franchise Agreement and/or in addition to the Transfer Fee, should we permit the transfer, we may require you to pay any amounts we deem necessary, in our sole discretion, to cure the default(s), provided that the default(s) is/are curable.

(7) Any proposed relocation of your Salon must be ~~approved by Franchisor in the same manner as the approval of the Franchisee's initial site and must be~~ within the same Protected Territory as the previous Salon location, ~~as same is determined by us~~ and be approved by Franchisor, in our sole and absolute discretion, ~~in the same manner as the approval of the Franchisee's initial site~~. The relocation fee is due to Franchisor within a week after the site is approved by Franchisor.

(8) If the Operating Principal dies or becomes permanently disabled, the owner's interest must be transferred in accordance with the Franchise Agreement. While the transfer is pending, we have the option to manage and operate the Salon on your behalf for up to 12 months. In addition, if you are in default and we have the right to terminate your franchise, we have the option to manage and operate the Salon on your behalf for up to 24 months. If we manage your Salon, you must reimburse us for all expenses that we incur, including travel, lodging and living expenses. In addition, we may charge you a management fee for services rendered. The management fee will be a ~~flat~~ monthly fee that is reasonable in light of the services to be performed and ~~the management rate typically paid in your market for a comparable position~~ based upon the performance of the Salon during the time that we are managing it.

(9) You must pay the termination fee, plus any costs and attorneys' fees incurred by us, if you improperly attempt to terminate or close your Salon or Franchise Agreement before your term expires, or we terminate your Franchise Agreement for any reason set forth in the Franchise Agreement. We may also recover from you any damages suffered by us (e.g., lost future revenues) resulting from your improper or wrongful termination of the franchise. Termination fees may be unenforceable in certain states.



**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure                              | Amount                                 |                                              | Method of Payment | When Due                                | To Whom Payment is to be Made                   |
|--------------------------------------------------|----------------------------------------|----------------------------------------------|-------------------|-----------------------------------------|-------------------------------------------------|
|                                                  | Low                                    | High                                         |                   |                                         |                                                 |
| Initial Franchise Fee (1)                        | \$39,000                               | \$39,000                                     | Lump sum          | Upon Signing Franchise Agreement        | Us                                              |
| Real Property Expenses (2)                       | \$3,500                                | \$7,500                                      | As agreed         | As incurred                             | Your Landlord                                   |
| Leasehold Improvements (3)                       | \$80,000                               | \$230,000                                    | As agreed         | Before opening                          | Landlord or construction contractors            |
| Architectural Expenses                           | \$1,000                                | \$3,500                                      | As agreed         | Before opening                          | Architect                                       |
| Exterior Signage (4)                             | \$5,000                                | \$10,000                                     | As agreed         | Before opening                          | Vendors                                         |
| Technology Purchases (5)                         | \$7,500                                | \$12,000                                     | As agreed         | Before opening                          | Third parties/ <a href="#">Us</a>               |
| Technology Fees (6)                              | \$2,250                                | \$2,250                                      | Lump sum          | On or before the 10th day of each month | Us                                              |
| Security and Utility Deposits (7)                | \$3,500                                | \$7,500                                      | As agreed         | Before opening                          | Landlord and /or utility companies              |
| Opening Inventory (8)                            | \$40,000                               | <del>\$750,000</del>                         | Lump Sum          | Before opening                          | Third parties                                   |
| Business Licenses and Permits (9)                | \$1,000                                | \$2,000                                      | As required       | Before opening                          | Governmental agencies                           |
| Professional Fees and Services (10)              | <del>\$345</del> <a href="#">1,500</a> | <del>\$1,500</del> <a href="#">3,000</a>     | As agreed         | Before opening                          | Attorneys, accountants, and other professionals |
| Insurance (11)                                   | <del>\$1,250</del>                     | <del>\$23,000</del>                          | As agreed         | Before opening                          | Insurer                                         |
| Initial Training Expenses, including travel (12) | <del>\$1,500</del> <a href="#">0</a>   | \$3,000                                      | As agreed         | As incurred                             | <del>Vendors</del> <a href="#">Us</a>           |
| Grand Opening Marketing Plan(13)                 | \$10,000                               | \$15,000                                     | As agreed         | As incurred                             | Vendors                                         |
| Additional Funds – 3 months (14)                 | \$40,000                               | \$60,000                                     | As agreed         | As incurred                             | Landlords, Vendors, Employees                   |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT (15)</b>   | <del>\$235,795</del> <a href="#">0</a> | <del>\$445,250</del> <a href="#">472,750</a> |                   |                                         |                                                 |



## Explanatory Notes:

\*These estimated initial expenses are our best estimate of the range of costs you may incur in establishing and operating your franchise. Our estimates are based on our experience (see Items 1 and 2), and our current requirements for Salons. The factors underlying our estimates may vary depending on a number of variables, and the actual investment you make in developing and opening your franchise may be greater or less than the estimates given, depending upon the location of your franchise, specific cost structure and current relevant market conditions, especially those for occupancy costs, marketing expenses and labor costs. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels and the rate of sales growth that you are able to achieve during your initial phase of business operations and thereafter.

\*\* None of the fees or costs paid to us listed in the table above are refundable.

(1) ~~See Item 5 for more information about the Initial Franchise Fee for Salons~~ If this is your first Sparkle Salon franchise agreement, you will pay us a nonrefundable \$39,000 initial fee (“Initial Franchise Fee”) when you sign the Franchise Agreement.

(2) Your actual rent payments may vary, depending upon your location, size, your market’s retail lease rates and negotiated terms. We recommend that you lease a space of no less than 1,000 square feet. If you purchase instead of leasing the Premises for your Salon, the purchase price, down payment, interest rates, and other financing terms will determine the amount of your monthly mortgage payments which may be significantly higher than the estimates included in this chart.

(3) The Leasehold Improvements estimate includes estimated expenditures for interior construction, HVAC, electrical, plumbing, walls, audio-visual and information technology, millwork, and floor coverings and is based upon a Salon that is between 1,000 and ~~1,500~~ 2,000 square feet. If your Salon is larger than this, is irregularly shaped, or otherwise ~~significantly~~ deviates from our prototypical space configuration, your leasehold improvements may be higher. The cost of these improvements ~~varies significantly~~ will vary depending upon the size and existing condition of the Premises as well as the geographic area in which your Salon is located. Costs will likely be ~~significantly~~ higher in California as well as certain metropolitan areas including but not limited to New York City (including boroughs), Washington D.C. (including surrounding areas in Virginia and Maryland), Miami (including surrounding areas), Seattle, Denver, Atlanta, and Chicago, as well as Hawaii and Alaska. This estimate includes a construction allowance of \$25 per square foot which is our estimate of a commercially reasonable construction allowance that you may receive from your landlord. We cannot guarantee that your landlord will provide a construction allowance at all or that any allowance provided will equal the estimate that we included in this Item 7. Building and construction costs will vary depending upon the condition of the Premises for the Salon, the size of the Premises, current economic conditions, and local construction costs.

(4) These estimates assume you will purchase your signage. The type and size of the signage you actually install will be based upon the zoning and property use requirements and restrictions. There could be an occasion where signage is not permitted because of zoning or use restrictions. You may have the opportunity to purchase additional signs for your location, which may increase your required initial investment for exterior signage.

(5) This amount is our estimate of the cost associated with purchasing and installing required computer hardware, tablets, software, and related supplies. This amount may vary depending upon the size of your Salon. See Item 11 for more details about computer systems and software.

(6) This amount reflects Technology Fees for the first three (3) months that your Salon is open for business.

(7) This estimate includes security deposits commonly required by the landlord and utility companies, but not with respect to telephones, internet, or other telecommunications services.

(8) ~~†~~This estimate includes initial FF&E and supplies associated with providing the Approved Services at your Salon.

(9) You may be required to obtain business licenses from the local government agency to operate your Salon. We have estimated these costs will be between \$1,000 and \$2,000 just for business licenses depending upon the jurisdiction.

(10) You may incur legal fees, accounting fees and other professional fees in order to incorporate your business, review agreements relating to the operation of the franchise, to perform background checks and personality profiles of potential employees and medical professionals, and to perform all necessary tax filings and to set up a small business, including a general ledger, tax reports, payroll deposits, etc.

(11) We estimate that your annual cost of insurance will range from \$1,~~2~~500 to ~~\$2~~3,000 annually. You must purchase all insurance necessary to operate your Salon as outlined in our Manual. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies you purchase must name us and any affiliate we designate as additional insureds and provide for 30 days' prior written notice to us of a policy's material modification or cancellation. If you fail to obtain or maintain the insurance we specify, we may (but need not) obtain the insurance for you and the Salon on your behalf (see Item 6). The cost of your premiums will depend on the insurance carrier's charges, terms of payment, and your insurance and payment histories. Our insurance requirements are set forth in Item 8 and may be updated from time to time by way of updates to our Manual or other written communications.

(12) We estimate that your travel expenses for initial training will be \$2,500 to \$5,000. While Franchisor does not charge for training, the Franchisee is required to pay ~~his~~ transportation to and from our training site and pay for his/her living arrangements and food during the time of training.

(13) You are required to spend a minimum of ~~GRAND OPENING EXPENSES~~\$10,000 (excluding your Minimum Local Advertising Requirement and any pre-opening marketing expenses) in verifiable marketing costs to publicize the grand opening of your Salon. You must spend this amount in accordance with the Manual during the 120-day period that begins 60 days prior to the opening of your Franchise and ends 60 days after the opening of your Franchise. The high estimate assumes you choose to spend more than the minimum required amount.

(14) The estimate of additional funds is based on an owner-operated business and does not include any allowance for an owner's draw or account for charges for their applied labor. The estimate of \$40,000 to \$60,000 of additional funds is for a period of at least 3 months. ~~The Company estimates that, in general, you should expect to put additional cash into the business until you achieve sales and incur operating expenses that allow you to achieve monthly operating break-even at your Salon. Those rates and dollar amounts will vary depending upon your circumstances and performance.~~

(15) We have relied on our experience in this industry in compiling these estimates. ~~You should review these figures carefully with a business advisor, lawyer and/or accountant and financial advisor before making any decision to purchase this franchise opportunity. As set forth in Item 10, we do not offer direct or indirect financing for the initial investment.~~

## DEVELOPMENT AGREEMENT

| Column 1<br>Expenditures                  | Column 2<br>Amount |           | Column 3<br>Method of<br>Payment | Column 4<br>When Due                 | Column 5<br>To Whom<br>Made |
|-------------------------------------------|--------------------|-----------|----------------------------------|--------------------------------------|-----------------------------|
|                                           | Low                | High      |                                  |                                      |                             |
| Development Fee                           | \$58,000           | \$145,000 | Lump sum                         | Upon signing the franchise agreement | Us                          |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT</b> | \$58,000           | \$145,000 |                                  |                                      |                             |

(1) The Development Fee is non-refundable. The Development Fee is described in greater detail in Item 5 of this Disclosure Document.

(2) The range of estimated Development Fee reflects your purchase of between three (3) and six (6) additional franchise agreements in the Development Area. The range of estimated Development Fees reflects the Initial Franchise Fee multiplied by the number of Salons that you and we agree that you may open in the Development Area.

(3) If and when you sign a franchise agreement for those Sparkle Salons included in your Development Agreement, you will incur the expenses identified in the chart above in connection with the opening of each Sparkle Salon.

(4) You are not obligated to execute a Development Agreement or pay us a Development Fee. The Development Fee is only paid if you agree to open additional Sparkle Salons.

(5) You are required to enter into a Franchise Agreement for one (1) Salon before you may enter into a Development Agreement with us and will incur those costs in connection with the opening of that Salon. The estimated costs to enter into a Development Agreement with us do not include the estimated costs to open and operate a Sparkle Salon. You will incur all of the expenses in the first Item 7 table with respect to each location that you actually open. – This range does not include any of the costs you will incur in opening any additional Salons that you are granted the right to open and operate under your Development Agreement.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### **Required Purchases of Goods and Services**

You must purchase certain products, supplies, insurance, inventory, signage, fixtures, furniture, equipment, décor software and other specified items under specifications and standards that we periodically establish in our Manual or other notices we send to you from time to time. These specifications are established to provide standards for performance, durability, design, and appearance and support the System. You must purchase such products, supplies, insurance, etc. required for the operation of your Salon solely from suppliers (including distributors, manufacturers, and other sources) who have been approved in writing by Franchisor, as set forth in the Manual (“Approved Suppliers”). You are not allowed to purchase any item except from an Approved Supplier. When selecting suppliers, we consider all relevant factors, including the quality of goods and services, service history, years in business, capacity of supplier, financial condition, terms, and other requirements consistent with other supplier relationships. We maintain written lists of approved items of equipment, fixtures, inventory, and supplies (by brand name and/or by standards and specifications) and lists of Approved Suppliers for those items. All Approved Suppliers will be listed in the Manual, which must always be followed, as modified and updated by Franchisor. We will notify you whenever we establish or revise any of our standards or specifications, or if we designate or change Approved Suppliers for products, equipment, or services at least 30 days prior to the effective date of the change. We may notify you of these changes electronically by email.

We are currently an Approved Supplier of the technology hardware package that you must use to operate the Salon. Other than Franchisor, there are no Approved Suppliers in which any of our officers owns an interest. We may designate ourselves or a third party to be the exclusive supplier for certain products or services at any time in the future upon written notice to you. If we do, you will be required to discontinue using other suppliers for these products or services. You must comply with our requirements to purchase or lease real estate, goods, and services according to our specifications and/or from Approved Suppliers to be eligible to renew your franchise agreement. Failure to comply with these requirements will render you ineligible for renewal and may be a default allowing us to terminate your franchise.

### **Approval of Alternative Suppliers**

Franchisor does not have any specific written criteria for supplier selection and does not intend at this time to prepare one. Therefore, Franchisor will not furnish its criteria for supplier approval to Franchisees. If you would like to purchase any items from any unapproved supplier, then you must submit a written request to us for approval of the proposed supplier. We have the right to inspect the proposed supplier's facilities and require that product samples from the proposed supplier be delivered, at our option, either directly to us, or to any independent, certified laboratory that we may designate, for testing. We may charge you a ~~Supplier Review Fee~~ (not to exceed our costs of testing new products or inspecting suppliers you propose) to make the evaluation. We will notify you whether we have approved or disapproved of the vendor, supplier, or item, in our discretion, within 30 days after receipt of all applicable information. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier does not continue to meet any of our criteria. If we revoke our approval of a supplier, we will notify you by email and the change will become effective immediately upon notice from us.

### **Revenue from Franchisee Purchases**

~~In 2023 we did not receive rebate revenue from any suppliers.~~

In 2024, we received rebates totaling \$0. In the calendar year ended December 31, 2024, rebates received totaled 0% of our total revenue of \$42,752 for the same time period.

The cost of purchasing required products and services to our specifications will represent approximately 13% of your total purchases in establishing your franchise and approximately 5% of your total purchases during the operation of your franchise.

We may receive revenue or other consideration from any other suppliers for goods and services that we require or advise you to purchase. In the event we enter into agreements with any such suppliers, we anticipate that any revenue or other consideration received may include promotional allowances, rebates, volume discounts, and other payments, which may range from 0-10% of the amount of the goods or services you purchase from the supplier. We expect that at least some of these arrangements will generally allow us to obtain discounts from standard pricing, and that it may facilitate our ability to pass along a portion of the savings to you.

In 202~~3~~<sup>4</sup>, we received \$~~06,423~~, or approximately ~~0~~<sup>15</sup>% of our total ~~Net Sales~~Gross Revenue of \$~~042,752~~ from Franchisee-required purchases of computer hardware, software, and related services from us.

### **Negotiated Prices, Cooperatives and Material Benefits**

We may negotiate price terms and other purchase arrangements with suppliers for you for some items that we require you to lease or purchase in developing and operating your Salon. There currently are no purchasing and distribution cooperatives. We do not provide any material benefits to you if you buy from sources we approve.

**Advertising Specifications.** You must obtain our approval before you use any advertising and promotional materials, signs, forms, and stationery unless we have prepared or approved them during the 12 months prior to their proposed use. You must purchase certain advertising and promotional materials, brochures, fliers, forms, business cards and letterhead from Approved Suppliers only. Further, you must not engage in any advertising of your Salon unless we have previously approved of the medium, content, method, and provider.

**Price Restrictions.** To the fullest extent permitted by applicable law, we may periodically establish maximum and/or minimum prices for services and products that Salons offer, including without limitation, prices for promotions in which all or certain Salons participate. If we establish such prices for any services or products, you cannot exceed or reduce that price, but will charge the price for the service or product that we establish. You will apply any pricing matrix or schedule established by us.

**Records.** All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements. You must submit all required reports in a timely manner in accordance with the dates we set from time to time.

**Computer-Related Equipment and Software.** You must purchase the Computer System that we specify from time to time. ~~See Item 7 regarding the estimated initial cost of this equipment. Our estimate of \$7,500 - \$12,000 is for the cost associated with purchasing and installing required computer hardware, tablets, software, and related supplies. This amount may vary depending upon the size of your Salon.~~ You are also required to pay us Technology Fee in exchange for your use of our proprietary office management software and other required software necessary for the operation of your Salon. The Technology Fee is currently \$750 per month. We reserve the right to increase The Technology Fee upon 30 days prior written notice. You are also required to have access to a broadband Internet connection with static IP at all times.

**Insurance Requirements.** Before you open the Franchise and during any Term of the Franchise Agreement, you must maintain in force, under policies of insurance written on an occurrence basis issued by carriers with an A.M. Best rating of A-VIII or better approved by us, and in such amounts as we may determine from time to time: ~~(1) comprehensive public, sexual harassment, professional, product, medical malpractice and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Salon or otherwise in conjunction with your conduct of the Franchise Business pursuant to this Agreement, under one or more policies of insurance containing minimum liability coverage amounts as set forth in the Manual; (2) general casualty insurance, including theft, cash theft, fire and extended coverage, vandalism and malicious mischief insurance;~~

(1) Commercial General Liability insurance written on an occurrence form, including but not limited to the following coverage levels: \$1,000,000 Each Occurrence; \$1,000,000 Personal & Advertising Injury \$2,000,000 General Aggregate; and \$1,000,000 Products/Completed Operations Aggregate.

(2) Professional Liability: \$1,000,00 Each Claim; \$2,000,000 Aggregate

(3) Sexual Abuse / Misconduct / Molestation: \$1,000,000 Each Claim; \$1,000,000 Aggregate

(4) Employment related practices liability insurance, including third party coverage: \$1,000,000 per occurrence; \$1,000,000 aggregate. Such insurance must include a deductible of no more than \$10,000 unless we approve a higher deductible in writing.

(5) Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage: \$1,000,000 per accident. Such insurance shall include coverage for hired and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of Franchisor.



(6) Commercial umbrella or excess liability that, at a minimum, sits over the Commercial General Liability, Commercial automobile insurance, and Employers liability policies: \$2,000,000 per occurrence; \$2,000,000 aggregate.

(7) Property insurance coverage: Coverage for the replacement value costs of the all Franchisee-owned and its contents, and any other assets of the Franchise; (3) worker's compensation and employer's liability insurance as required by law, with limits equal to or in excess of those required by statute; (4) contents and tenant improvements, and business interruption insurance for a period adequate to re-establish normal business operations, but in any event not not to be less than 6twelve months; (5) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements; and (6) umbrella liability coverage with limits of not less than \$1,000,000/\$3,000,000 or such other amounts that we may establish. We may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$5,000 per occurrence.

(8) Workers' compensation: (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability; (Coverage B) with limits not less than \$1,000,000/ per accident, \$31,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of Franchisor.

(9) Such other insurance as may be required by us from time to time or by the Landlord of the Sparkle Salon, and by the state or locality in, which the Sparkle Salon is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

| Obligations                                                | Section in Franchise Agreement | <u>Section in Development Agreement</u> | Disclosure Document Item |
|------------------------------------------------------------|--------------------------------|-----------------------------------------|--------------------------|
| a. Site selection and acquisition/lease                    | Section 5.1, 5.2               | <u>5.A, 5.B</u>                         | Items 7 and 11           |
| b. Pre-opening purchases/leases                            | Section 6.2                    | <u>5</u>                                | Item 7                   |
| c. Site development and other pre-opening requirements     | Section 6                      | <u>4</u>                                | Items 7 and 11           |
| d. Initial and ongoing training                            | Section 11                     | <u>Not Applicable</u>                   | Item 11                  |
| e. Opening                                                 | Sections 6.2, 6.3              | <u>Not Applicable</u>                   | Items 7 and 11           |
| f. Fees                                                    | Section 7                      | <u>2, 3</u>                             | Items 5, 6, 7, 8 and 11  |
| g. Compliance with standards and policies/operating manual | Section 12                     | <u>4</u>                                | Items 8, 11, and 12      |
| h. Trademarks and proprietary information                  | Section 13                     | <u>9</u>                                | Items 13 and 14          |
| i. Restrictions on products/services offered               | Section 12.2                   | <u>10.B</u>                             | Item 16                  |
| j. Warranty and customer service requirements              | Section 12.6                   | <u>8.A</u>                              | None                     |
| k. Territorial development and sales quotas                | Section 3.1                    | <u>1.A</u>                              | Item 12                  |

| Obligations                                                           | Section in Franchise Agreement                                        | Section in Development Agreement | Disclosure Document Item |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------|--------------------------|
| l. On-going product/service purchases                                 | Section 12.2                                                          | <u>Not Applicable</u>            | Items 7, 8 and 11        |
| m. Maintenance, appearance, and remodeling requirements               | Section 12.1                                                          | <u>Not Applicable</u>            | Items 7, 8 and 11        |
| <u>n.</u> <del>Insurance</del>                                        | <u>Section 12.9</u>                                                   | <u>Not Applicable</u>            | <u>Item 8,</u>           |
| <u>o.</u> <del>n.</del> Advertising                                   | Section 9                                                             | <u>1.A</u>                       | Items 6, 7, and 11       |
| <u>p.</u> <del>e.</del> Indemnification                               | Section 23                                                            | <u>8</u>                         | Items 6 and 13           |
| <u>q.</u> <del>p.</del> Owner's participation/management and staffing | Sections 14.3, 14.5                                                   | <u>4</u>                         | Items 11 and 15          |
| <u>r.</u> <del>q.</del> Records/reports                               | Section 8                                                             | <u>4.E</u>                       | Item 6                   |
| <u>s.</u> <del>r.</del> Inspections/audits                            | Sections <del>8.5,</del><br><del>12.10</del> <u>8.5</u>               | <u>Not Applicable</u>            | Item 6                   |
| <u>t.</u> <del>s.</del> Transfer                                      | Sections 15, 16                                                       | <u>11.D</u>                      | Items 6 and 17           |
| <u>u.</u> <del>t.</del> Renewal                                       | Section 4.2                                                           | <u>7</u>                         | Items 6 and 17           |
| <u>v.</u> <del>u.</del> Post-termination obligations                  | Section 20                                                            | <u>6</u>                         | Item 17                  |
| <u>w.</u> <del>v.</del> Non-competition covenants                     | Section 18                                                            | <u>10</u>                        | Item 17                  |
| <u>x.</u> <del>w.</del> Dispute resolution                            | Section <b>Error!</b><br><b>Reference source not found.</b> <u>27</u> | <u>11.J</u>                      | Item 17                  |
| <u>y.</u> <del>x.</del> Owners/ Shareholders/ Spousal Guarantee       | Section 14. <u>23</u>                                                 | <u>Not Applicable</u>            | Item 15                  |

## ITEM 10 FINANCING

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

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

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

### Pre-Opening Obligations:

Before you open your Salon for business, we or our designee will:

1. Review and ~~accept or reject~~approve or disapprove the proposed site for your Salon ("Premises"). Unless we agree otherwise, you must locate and select a proposed site for the Premises that is acceptable to us as suitable for the operation of a Salon. Your proposed site must be submitted in accordance with our policies and procedures and must be reviewed and approved by us. In reviewing a proposed site, we will consider factors such as parking, size, traffic counts, general location, existence and location of competitive businesses, general character of the neighborhood and various economic indicators. Acceptance of a proposed site shall be at our sole and absolute discretion ~~and shall not constitute, nor be deemed, a judgment as to the likelihood of success of a Salon at such location, or a judgment as to the relative desirability of such location in comparison to other locations.~~ We will ~~accept or reject~~approve or disapprove any proposed site within 15 business days of receipt of a completed site submission package, as same may be defined and modified by us from time to time in its sole and absolute discretion. Your failure to submit a completed site acceptance package and request and secure our ~~acceptance~~approval of a proposed site in a timely manner shall not be reason for extending the date for opening set forth in your Franchise Agreement.



If you and we are unable to agree on a site for your Salon within the time frame identified in the Franchise Agreement, we may terminate your Franchise Agreement, and we will not refund your Initial Franchise Fee. We do not typically own the premises for franchised Salons and lease them to the franchisee. (Franchise Agreement – Section 5.1)

2. You must obtain lawful possession of the Premises by executing a lease for the Premises (“the Lease”) after our ~~acceptance~~approval of the Premises associated with the site submittal package and accepted site. The Lease for the Premises must include the form of Addendum to Lease, attached as Exhibit 3 to the Franchise Agreement. Before executing a lease, you should have it reviewed by an attorney of your choice. Your lease must state, among other things, that its terms are subject to our ~~acceptance~~approval. (Franchise Agreement – Section 5.2)

3. After we receive the completed pre-construction forms and as-built drawings for your Salon location, we will provide you with a floor plan design. (Franchise Agreement, Section 5.1). These initial floor plans provided by Franchisor are not for construction use; ~~†~~They must be converted by a licensed Architect and engineer to permit drawings to ensure that applicable city/state codes ~~is met~~are satisfied.

4. Identify the products, materials, supplies, and services you must use to develop and operate your Salon, the minimum standards, and specifications that you must satisfy in developing and operating the franchise, and the designated and approved suppliers from whom you must or may buy or lease these items (which might be limited to or include us and/or our affiliates). (Franchise Agreement – Section 6.2(f)); see Item 8 for additional information.

5. Grant you access to our Manual for Salons along with other materials which contains our mandatory and suggested specifications, standards, and procedures for operating your Salon (collectively referred to as our “Manual”). (Franchise Agreement – Section 10). **Exhibit C** to this Disclosure Document sets forth the Table of Contents for Manual, which consists of approximately 100 pages. Our Manual contains our System Standards and information about your other obligations under the Franchise Agreement.

We may modify the contents of the Manual periodically to reflect changes in System Standards or send out other electronic communications to you about changes or updates to the System, the Manual, and our policies and procedures. You are required to comply with the most current version of our Manual, as well as our most current policies and procedures. The Manual is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of it. You may ask to view our Manual at our corporate headquarters before purchasing your Salon but must first sign a nondisclosure agreement (**Exhibit C** of this Disclosure Document) promising not to reveal any of the information contained in the Manual without our permission.

6. Provide you with specifications for the Computer System for your Salon (Franchise Agreement – Section 12.3). See below for additional information about these specifications.

7. Guide and assist you with the development and implementation of a local grand opening program, which will include parameters that must be met before you obtain our approval to open your Salon, (Franchise Agreement – Section 9.1).

8. Before your Salon opens for business, provide to you, other members of your management team, and any agents you employ our Initial Training Program (Franchise Agreement – Section 11.1). You (if you are an individual) or at least one of your Owners as defined in your Franchise Agreement (if you are a legal entity) must complete the Initial Training Program to our satisfaction at least one day prior to opening. Your general manager must be approved by us and complete the Initial Training Program to our satisfaction. The training program includes classroom instruction at our headquarters in Scottsdale, Arizona, and on-the-job training at either a training facility or a location we designate. There will be no tuition charge for these training programs for any persons who attend, but you must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your personnel who attend the training programs. All persons who attend our Initial Training Program must complete it to our satisfaction.

9. Provide at Franchisor's expense an opening supervisor to assist you with the Salon's operational efficiency, staff training, Salon setup and opening of your Salon for two (2) days before the opening of your first Salon and for two (2) days after the opening of your first Salon (Franchise Agreement – Section 11.2).

### **Time to Open:**

The typical time for opening a Sparkle Salon is approximately six (6) months from the date that you sign a Franchise Agreement. We will agree on the time you must open your Salon for business when you sign your Franchise Agreement, but we typically will require you to open no more than 12 months after you sign your Franchise Agreement. If no opening date is listed in your Franchise Agreement, your opening date will be 12 months after you sign the Franchise Agreement. Factors affecting the length of time before you open include locating a site for the Premises and signing a lease, construction or remodeling of the site (if required), completion of required training, financing arrangements, local ordinance and building code compliance, delivery and installation of equipment, and hiring and training of your staff, securing of all manner of permits and operational licenses and approvals. We do not provide you with assistance in conforming the Premises to local ordinances and building codes, obtaining any required permits, constructing, remodeling, or decorating the Premises. We also do not provide you with assistance in the hiring or training of employees. You will be exclusively responsible for the terms of your employees' and independent contractors' employment and compensation, and for the proper training of your employees and independent contractors in the operation of the Salon.

If you are delayed from opening your Salon by the opening deadline in your Franchise Agreement, you must provide us with a written request to extend the deadline, which we may or withhold in our sole discretion. The request must state: (1) that a delay is anticipated; (2) the reasons which caused the delay; (3) the efforts that you are making to proceed with the opening; and (4) an anticipated opening date. In considering the request, we will not unreasonably withhold our consent to a delay if you have been diligently pursuing the opening.

We will use reasonable efforts to approve or disapprove the proposed site within 15 days after our receipt of your detailed site evaluation package if we do not conduct an on-site evaluation or, if we conduct an on-site evaluation, within 30 days after the on-site evaluation. If we do not approve the proposed site in writing in this time period, we will be deemed to have disapproved of the site.

If you and we do not agree on a Premises within the deadlines identified in the Franchise Agreement, unless we agree to extend the opening deadline, ~~if you do not open your Franchise for business by the deadline~~, you will be considered in default of your Franchise Agreement, and we will have the right to terminate the Franchise Agreement. (Franchise Agreement – Sections 6.2 and 7.4-).

### **Post-Opening Obligations:**

After your Salon opens for business, we or our designee will:

1. Provide you with guidance and assistance in the following areas: (a) the products and services authorized for sale by the Salon, and specifications, standards, and operating procedures used by Salons including monthly membership plans, ala carte dog grooming services, and other services that we authorize (collectively, the "Approved Services"); (b) purchasing approved equipment, furniture, furnishings, signs, products, operating materials, and supplies; (c) development and implementation of local advertising and promotional programs; (d) administrative, bookkeeping, accounting, inventory control and general operating and management procedures; (e) establishing and conducting employee training programs at the Salon; (f) changes in any of the above that occur from time to time; and (g) specify any approved brands, types and/or models of equipment, furniture, fixtures, and signs (Franchise Agreement – Section 11.4).

2. Continue lending to you a copy of our Manual (Franchise Agreement – Section 10).

3. Allow you to use our Marks and Confidential Information in operating your Salon (Franchise Agreement – Section 13 and 0). You must use the Marks and ~~e~~C~~on~~fid~~ential~~ ~~i~~nformation only as authorized in the Franchise Agreement and our Manual.

4. Indemnify you against damages for which you are held liable in any proceeding arising out of your use of ~~our~~the Marks in compliance with the Franchise Agreement and reimburse you for costs you incur in defending against any such claim (Franchise Agreement – Section 13.2(f)).

5. As we deem appropriate, provide you with supplemental training programs (Franchise Agreement – Section 11.4). We may hold training programs for you and your staff regarding new techniques, services or products, and other appropriate subjects. We may decide to hold these training programs at our own initiative, or in response to your request for additional or special training. We will determine the location, frequency, and instructors of these training programs. We may, but do not currently, charge you a daily attendance fee in an amount to be set by us for each owner, officer, director, manager, or employee of yours who attends any mandatory or optional training program (not to exceed \$1,000 per day). You must pay this fee to us in a lump sum before the training program begins. You must pay for all travel, lodging, meal, and personal expenses related to your attendance and the attendance of your personnel.

6. Review and approve or disapprove your advertising, marketing, and promotional materials (Franchise Agreement – Section 9.3(h)).

7. As we deem advisable, conduct inspections and/or audits of your Salon, including evaluations of its training methods, techniques, and equipment; its staff; and the services rendered to its customers (Franchise Agreement – Section 12.10). We may provide you with additional guidance and training based on the results of these inspections and/or audits.

8. If requested by you, we may provide you with a Company’s employee or agent to assist you with the operation of your Salon (“Ongoing Training”). You will be responsible to pay to Franchisor a daily fee (currently set at \$1,000 per day) ~~–~~(Franchisor reserves the right to adjust this fee as it deems appropriate) in addition to the actual costs (including but not limited to travel, meals, lodging, car rental, etc.) for the Ongoing Training (Franchise Agreement – Section 11.4).

9. To the fullest extent permitted by applicable law, we may periodically establish maximum and/or minimum prices for services and products that Salons offer, including without limitation, prices for promotions in which all or certain Salons participate. If we establish such prices for any services or products, you cannot exceed or reduce that price but will charge the price for the service or product that we establish. You will apply any pricing matrix or schedule established by us (Franchise Agreement – Section 12.12).

### **Advertising and Marketing:**

**Advertising by You** (Franchise Agreement – Section 9.3(h)). You are required to contribute to the advertising of your Salon in your local market area, in the minimum amount of \$3,000 per month or a maximum of 5% of your monthly Gross Revenue, whichever is greater (“Minimum Local Advertising Requirement”). This is separate from the amounts you will spend for your Grand Opening and the Brand Fund. You will be responsible for the local marketing of your Salon. You may only use advertising material that is approved by us. We have the right to require you to use one or more required suppliers for your local advertising. We may require you to spend all or a portion of the Minimum Local Advertising Requirement with such required suppliers. We reserve the right to collect such amounts directly from you via EFT to pay such required suppliers. You must provide us (in a form we approve or designate) evidence of your required local advertising, marketing, and promotional expenditures by the 30<sup>th</sup> day of each month, for the preceding calendar month, along with a year-to-date report of the total amount spent on local advertising. We may require, at our sole discretion, that you submit an annual marketing plan with details on planned expenditures of local advertising dollars. Any advertising or marketing material that you intend to use must receive prior written approval from us. If you do not receive our written disapproval within 15 days from the date the

materials are delivered to us, then the materials will be deemed approved. The approval of the marketing or advertising material is valid for one year.

**Advertising Cooperatives** (Franchise Agreement – Section 9.5). You are required to join and participate in any Advertising Cooperative (“Co-op”) encompassing your Protected Territory that may be established. A Co-op is an association of all Franchisees whose Salons are located within a Designated Market Area (“DMA”). A DMA is a geographic area around a county in which the radio and television stations based in that county account for a greater proportion of the listening/viewing public than those based in the neighboring counties. We reserve the right to form, change, dissolve, or merge Co-ops.

One function of the Co-op is to establish a local Brand Fund, of which the funds must be used for Salons’ advertising and promotion only and for the mutual benefit of each Co-op member. We have the right to establish a Co-op and specify the manner in which any Co-ops are organized and governed and require any and all Co-ops to be legal entities of the state where they are located. Co-ops must operate according to written bylaws which have been approved by us. Co-ops must provide us with a copy of their organizational documents and bylaws prior to commencing any marketing or other activities. The Co-op will be administered by the members of the Coop according to the governing documents. Copies of the Co-ops’ bylaws and other organizational documents will be made available to you upon request.

~~Currently, each Franchisee must contribute to a Co-op according to the Co-op’s rules and regulations, and bylaws, as determined by its members. The members of each Co-op will determine the amount that each member will be required to contribute to the Co-op by a vote of the members. Company-owned Salons operated by us or our affiliates that is located in a Co-op will contribute to the fund on the same basis as other franchisees in the Co-op.~~ Amounts contributed to Co-ops may be considered as spent for local advertising, if appropriately documented and spent according to our defined criteria for local advertising, and therefore may be applied towards the Minimum Local Advertising Requirement. We also reserve the right to determine the amount to be contributed by each member of the Co-op, as necessary: but not to exceed 2% of Net Sales. ~~Company-owned Salons operated by us or our affiliates that is located in a Co-op will contribute to the fund on the same basis as other franchisees in the Co-op.~~ Co-ops will prepare annual unaudited financial statements that will be available, upon request, to franchisees that are members of the Co-op.

We do not currently have any advertising cooperatives.

**Advertising by Us** (Franchise Agreement – Section 9.2) We may create one or several national and/or regional brand funds (the “Brand Fund(s)”) for our Salons (both Franchisee-owned and Company-owned) to accomplish those advertising and promotional programs we deem necessary or appropriate for the Salons. However, we may choose to use only one Brand Fund to meet the needs of regional, multi-regional, and national advertising and promotional programs. As of the date of this Disclosure Document, we have only created one (1) 1 national Brand Fund and there are no regional Brand Funds.

Each Salon must contribute to the Brand Funds ~~for their area~~ in such amounts that we periodically require. The current maximum contribution amount is the greater of: (i) 32% of Net Sales; ~~and/or~~ (ii) \$300 per week. ~~The maximum contribution to the Brand Funds we may require from you is 3% of Gross Sales.~~ Any Salon owned by us will contribute to the Brand Funds on the same basis as you. We currently require that all new franchisees contribute to the Brand Funds on a uniform basis.

We will direct all marketing programs financed by the Brand Funds, and will have sole discretion over the creative concepts, materials, endorsements, and distributions used by the Brand Funds, and the geographic, market, and media placement and allocation of the Brand Funds. We have the sole discretion to use the Brand Funds to pay the costs of administering regional, multi-regional, and/or national advertising programs, including purchasing direct mail and other media advertising; employing advertising agencies and supporting public relations, market research, and other advertising and marketing firms; and paying for advertising and marketing activities that we deem appropriate, including the costs of participating in any

national or regional trade shows. We may in our discretion use Brand Funds to engage in advertising and promotional programs that benefit only one or several regions, and not necessarily all Salons. We will not use the Brand Funds ~~for advertising that is principally a solicitation for the sale of franchises~~for the direct solicitation of franchisees; however, advertising, and promotional materials may state that information regarding owning a Salon is available through our website or telephone number. The materials and services created by the Brand Funds will be created by in house employees tasked with such projects as local, regional, and national advertising, public relations, market research, and related firms and organizations.

The Brand Funds will be accounted for separately from our other funds and will not be used to pay any of our general operating expenses, except for salaries, administrative costs, and overhead that we incur in activities reasonably related to the administration of the Brand Funds and their marketing programs, including preparing advertising, public relations, social media content and marketing communications and materials, and collecting and accounting for contributions to the Brand Funds. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Fund in that year, and the Brand Funds may borrow from us or other lenders to cover the Brand Funds' deficits or invest any surplus for future use by the Brand Funds. We will not charge interest on amounts that we loan to a Brand Fund. We do not know the interest rate that would be charged by a third-party lender although it would be based on then-current market conditions and interest rates. We will prepare an annual statement of monies collected and costs incurred by each Brand Fund and will provide it to you upon written request. We do not prepare or provide audited financial statements for the Brand Funds.

During our fiscal year ending December 31, 2023<sup>4</sup>, we did not collect or expend any Brand Fund revenue.

We may cause the Brand Fund(s) to be incorporated or operated through an entity separate from us when we deem appropriate, and the entity will have the same rights and duties as we do under the Franchise Agreement. If established, the Brand Funds will be intended to enhance recognition of the Marks and to enhance the franchise opportunities available through our franchises. Although we will endeavor to use the Brand Funds to develop advertising and marketing materials and programs and place advertising that will benefit all Salons, we do not have to ensure that the Brand Funds' expenditures in or affecting any geographic area are proportionate or equivalent to the contributions made by Salons in that geographic area, or that any Salon will benefit from the development of advertising and marketing materials or the placement of advertising by the Brand Funds directly or in proportion to the Salon's contribution to the Brand Funds. We assume no direct or indirect liability or obligation to you or any other Salon in connection with the establishment of a Brand Fund, or the collection, administration, or disbursement of monies paid into any Brand Fund.

We may suspend contributions to, and the operations of, any Brand Fund for any period we deem appropriate, and may terminate the Brand Fund upon 30 days' written notice to you. All unspent monies held by the Brand Fund on the date of termination will be distributed to us, our affiliates, and you and our other Franchisees in proportion to each party's respective contributions to the Brand Fund during the preceding 12-month period. We may reinstate a terminated Brand Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' advance written notice to you.

We do not currently have a franchisee council. We may, in the future, establish a council of franchisees. Once established, any franchisee council will serve only in an advisory capacity and will have no operational or management authority. We may dissolve or change the makeup of a later formed council at any time.

We, or our designated supplier, may become the required supplier of some or all digital marketing and/or other advertising services. If we do, you will be required to discontinue using any of your current suppliers for this service upon expiration of any existing contracts for these services, or within 30 days after receiving notice from us that we will be providing these services, whichever occurs first. Any amounts paid to us as the required supplier of digital marketing and/or other advertising services may be applied towards the Minimum Local Advertising Requirement.



We are not required to spend any amount on advertising in your territory.

**Computer System** (Franchise Agreement – Section 12.3)

You must use the computer hardware and software (collectively “Computer System”) that we periodically designate to operate your Salon. You must obtain the Computer System, software licenses, maintenance and support services, and other related services from Approved Suppliers (which may include or be limited to us and/or our affiliates). The current Computer System specifications are detailed in the Manual.

We may periodically modify the specifications for, and components of, the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or ~~obtain by~~ license new or modified computer hardware and/or software and obtain service and support for the Computer System. The Franchise Agreement does not limit the frequency or cost of these changes, upgrades, or updates. We have no obligation to reimburse you for any Computer System costs. Within 60 days after you receive notice from us, you must ~~obtain~~acquire the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

We ~~may~~ charge you ~~a reasonable~~the Technology fee for: (i) installing, providing, supporting, modifying, and enhancing ~~any~~certain proprietary software or hardware that we develop and license to you; and (ii) other Computer System-related maintenance and support services that we or our affiliates provide to you. If we or our affiliates license ~~any~~additional proprietary software to you or otherwise allow you to use similar technology that we develop or maintain, then you must sign any software license agreement or similar instrument that we or our affiliates may require. The Technology Fee is currently \$750 per month. We may increase the Technology Fee upon 30 days prior written notice to you.

You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; (3) the implications of your Computer System not being properly operated, maintained and upgraded; and (4) complying with all required antivirus protocols.

Unless otherwise disclosed above: (i) neither we nor any other party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System; ~~and (ii) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to~~ We estimate that the cost of maintaining your Computer System will be between \$100 - \$120 per month.

Your Computer System must be capable of supporting our required software, with Internet capability, and accessible by us remotely. You may also be required to purchase customer management software and financial software, and to pay monthly charges associated with your Computer System. The specification regarding the required hardware and software for your Computer System are contained in the Manual.

We estimate the cost of purchasing the Computer System and related software and associated equipment will range from ~~\$10~~7,500 to \$12,000.

In addition, you will be required to pay a recurring monthly technology fee for use of our proprietary office management software and other required software. Currently this fee is \$750 per month but is subject to change upon written notice to you.

You are also required to pay the monthly cost of maintaining verifiable high speed Internet and static IP address access at your site. We estimate that this cost will be \$100-\$350 per month.

The Payment Card Industry (“PCI”) Data Security Standard (“DSS”) is a comprehensive set of requirements that applies to all merchants who accept credit cards that is designed to ensure the safe handling of payment cardholder data. Knowledge of as well as compliance with the PCI DSS is the responsibility of the Location. You must meet the requirements of the PCI DSS and maintain PCI compliance with the current version of the PCI DSS. You must make periodic efforts to maintain awareness of enhancements and changes to the PCI DSS. With the exception of the specific services provided by us in consideration for the ~~t~~Technology

Fee you pay to us, you have complete responsibility for using all required tools and vendors to complete the ongoing PCI requirements, including, but not limited to, quarterly external security scans and annual Self-Assessment Questionnaires. You are responsible for all costs relating to PCI compliance and data security issues, such as security threats, breaches, and malware.

Your Computer System will collect and store various data pertaining to your customers, including name, contact information, and payment information. Your Computer System will also collect credit card information and sales data. We will have independent access to all of this information and there are no contractual restrictions on our right to access this data. Subject to applicable laws (if applicable), we will serve as a custodian of all information and records pertaining to your customers and we will comply with applicable privacy laws with respect to our collection, storage, sharing and use of this data. Your Computer System may also collect employee data and marketing data, although we will not have independent access to this data stored locally on your hard drive.

### **Table of Contents of the Operating Manual**

The Table of Contents of our Manual is attached to this Franchise Disclosure Documents as **Exhibit C**.

### **Training Program** (Franchise Agreement – Section 11.1)

Our initial training program currently includes the following:

#### **TRAINING PROGRAM**

| <b>Subject</b>                        | <b>Hours of Classroom Training</b> | <b>Hours of On-the-Job Training</b> | <b>Location</b>             |
|---------------------------------------|------------------------------------|-------------------------------------|-----------------------------|
| Welcome and Introduction              | 1.0                                |                                     | Corporate Office / Virtual  |
| Franchisee Roles and Responsibilities | 1.0                                |                                     | Corporate Office / Virtual  |
| Getting Started                       | 0.5                                |                                     | Corporate Office / Virtual  |
| Finance                               | 0.5                                |                                     | Corporate Office / Virtual  |
| Real Estate                           | 1.0                                |                                     | Virtual                     |
| Design + Construction                 | 1.0                                |                                     | Virtual                     |
| Human Resources                       | 1.0                                |                                     | Corporate Office            |
| Salon Operations                      | 3.0                                | 4.0                                 | Corporate Office            |
| Technology + Software Training        | 2.0                                | 1.0                                 | Corporate Office / In Salon |
| Reporting and KPI                     | 1.0                                | 1.0                                 | Corporate Office / In Salon |
| Marketing                             | 3.0                                |                                     | Corporate Office            |
| Total Hours                           | 15.0                               | 6.0                                 |                             |

### **Explanatory Notes:**

(1) Most of these subjects are integrated throughout the training program (comprised of 15 hours of classroom/online training and 6 hours of initial on the job training). The training program must be completed to our satisfaction before the opening of the Salon. On-the-job training will occur at a certified training Salon after the classroom training. You will also receive training at your Salon site within a few days before and after the opening of your Salon.



(2) The Company may also offer additional or refresher training courses from time to time. Some of these courses may be ~~mandatory~~required, and some may be optional. These courses may be conducted at Franchisor's headquarters or at any other locations selected by Franchisor.

(3) You will be responsible for all out-of-pocket expenses in connection with all training programs, including the transportation, lodging, meals, wages, and employee benefits costs you incur for your training, and the training of management and employees that you have attend the training. The Company reserves the right to impose reasonable charges for training classes and materials in connection with such training courses. The Company will notify you of any additional charges before you or your designated employees enroll in a course. ~~While there is no cost to take such training, we~~We require you and your management staff to pass our training program to our satisfaction before you may begin operating your Salon.

(4) All classes are scheduled by advance written notice to all Franchisees.

(5) The instruction materials for our training programs include handouts, our Manual, on-line programs, and lectures.

(6) The initial training program is held on a monthly basis.

(7) At least one (1) owner of Franchisee as well as your general manager must attend and successfully complete our Initial Training Program to our satisfaction at least one day prior to opening your Salon. Your other owners and managers may attend the Initial Training Program, but it is not required.

(8) Although the individual instructors of the Initial training program may vary, all of our instructors have significant experience in their designated subject area. The following are our training instructors:

(9) ~~•Steve Dick-Senior Vice President of Operations~~ leads our Training Program. Mr. Dick has ~~been our Senior Vice President of Pet Care since our formation on December 18, 2023. 19 years of experience with retail pet businesses~~ Mr. Dick was the Sr Director of Operations at Royal Pets Market and Resort from March 2016 to April 2017. Mr. Dick spent 19 years with Petsmart from Jan 1996 to March 2016 in numerous roles, most notable Manager of Labor and Payroll, and District Manager for Southern Colorado.

## ITEM 12 TERRITORY

### **Location of Your Salon**

You will select for our approval the location of the Premises for your Salon according to the requirements and within the time specified in the Franchise Agreement. We must approve any relocation of the Premises for your Salon. ~~We will apply the same criteria~~In reviewing a proposed site for the relocation of a franchised business as we apply when determining the location of a new franchise, we will consider factors such as parking, size, traffic counts, general location, existence and location of competitive businesses, general character of the neighborhood and various economic indicators.

### **Your Unit Territory**

We will grant you a protected territory ("the Protected Territory"). We will define the Protected Territory in an addendum to the Franchise Agreement after you select, and we ~~accept~~approve the site for your Salon. Typically, the Protected Territory will be a three (3) mile radius from the front door of your Sparkle Salon. We will describe the Protected Territory using a map that will show in general terms the fixed geographical boundaries (such as rivers, streets, or highways). The geographic size of the Protected Territory will vary based upon population density and a variety of demographic factors. While the Protected Territory is a three (3) mile radius, we will make commercially reasonable efforts to create Protected Territories that also have 7,500 households with average household income of \$75,000 or more within a three (3) mile radius of your

Sparkle Salon. Various Protected Territories may include overlapping households that meet these general criteria.

We will not modify your Protected Territory during the franchise term. If you intend to renew or transfer the franchise, and your Protected Territory is larger than our then-current standard size for territories or the then-current demographics of your Protected Territory have changed, we may reduce the size of your Protected Territory on renewal or require your transferee to operate the Salon in a smaller territory. If we reduce the Protected Territory, we will give you or your transferee the option (as applicable) to develop the remaining territory.

You will not receive an exclusive territory. You may face competition from other Franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, if you are in full compliance with the Franchise Agreement, then during the Franchise Agreement term, neither we nor our affiliates will operate or grant a franchise for the operation of another Salon or Company-owned Sparkle outlet located within your Protected Territory that offers the same or similar goods or services under the same or similar trademarks, except as otherwise permitted below under “Reserved Rights”.

### **Reserved Rights**

~~We and our affiliates reserve the right to engage in any activities we deem appropriate that your Franchise Agreement does not expressly prohibit, whenever and wherever we desire, including the right to: (1) own, acquire, site build, or operate, for our own account, or grant to others the right to operate Salons on terms and conditions and at locations we deem appropriate outside of your Protected Territory; (2) to grant Regional Developer franchises which may encompass the area where your site is located; (3) provide or grant other persons the right to provide goods and services that are similar to and/or competitive with those provided by Salons through any distribution channel, including, but not limited to, sales via mail order, catalog, toll-free telephone numbers, and electronic means, including the Internet under the Marks or trademarks and services marks other than the Marks; (4) engage in an Acquisition, including an Acquisitions that results in 1 or more competitive businesses operating within your Protected Territory using the Marks; and (5) establish and operate, or grant others the right to establish and operate, Salons that are located within Special Locations that are located anywhere, including within your Protected Territory. You will not receive compensation if we solicit or accept orders from inside your Protected Territory.~~

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

For purposes of the preceding paragraph, a “Special Location” means any site or channel that generates customer traffic flow that is independent from the general customer traffic flow of the surrounding area, including on or within the confines or premises of military bases, shopping malls or centers, stadiums, major industrial or office complexes, parking lots or structures, mobile vehicles, airports, hotels, resorts, school campuses, train stations, travel plazas, toll roads, casinos, hospitals, theme parks, and sports or entertainment venues. A “Special Location” also includes the establishment and operation of a Salon within a pre-existing business that does not operate under the Marks. For example, Salons established within a retail store or hotel would qualify as Special Locations.

~~For purpose of the preceding paragraph, an “Acquisition” means either (i) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise or (ii) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise.~~

### **Right to Acquire Additional Territories or Franchises**

The Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional territories or franchises.

### **Restrictions on Your Sales and Marketing Activities**

We do not restrict you from accepting clients who live outside your Protected Territory. Similarly, clients who live in your territory may visit Salons outside of your Protected Territory. You are permitted to market your Salon outside of your Protected Territory. However, you are not permitted to market or sell through alternative channels of distribution (such as the Internet, catalog sales, telemarketing, or other direct marketing), either within or outside of your Protected Territory, without our prior written approval. You may not establish your own website or engage in any online or digital marketing without our prior written approval. If approved, your website and/or online or digital marketing must meet all of our standards, specifications, and other requirements. There are no other restrictions on your right to solicit customers, whether from inside or outside of your Protected Territory.

### **Competitive Businesses Under Different Marks**

Currently, neither we nor any affiliate of ours intend to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered at Sparkle Salons. However, we reserve the right to do so in the future.

### **Your Development Territory**

If you execute a Development Agreement with us, we will award you a Development Territory in which you are authorized to develop, open, and operate an agreed number of additional Sparkle Salons (“Subsequent Units”) The Development Territory will be identified in the Development Agreement. The Development Territory will generally be a geographic area identified by a map that will show in general terms the fixed geographical boundaries (such as rivers, streets, or highways) of the Development Territory. The geographic size of the Development Territory will vary based upon population density and a variety of demographic factors but will be agreed upon by you and us prior to execution of the Development Agreement.

You will not receive an exclusive territory. You may face competition from other competitive brands that we control. However, if you are in full compliance with the Development Agreement, then during the Development Agreement term, neither we nor our affiliates will operate or grant a franchise for the operation of another Salon or Company-owned Sparkle outlet located within your Development Territory that offers the same or similar goods or services under the same or similar trademarks, except as otherwise permitted below under “Reserved Rights”.

### **Reserved Rights**

We and our affiliates reserve the right to engage in any activities we deem appropriate that your Franchise or Development Agreement ~~does~~do not expressly prohibit, whenever and wherever we desire, including the right to: (1) own, acquire, site build, or operate, for our own account, or grant to others the right to operate Salons on terms and conditions and at locations we deem appropriate outside of your Protected Territory or Development Territory; (2) to grant Regional Developer franchises which may encompass the area where your site is located; (3) provide or grant other persons the right to provide goods and services that are similar to and/or competitive with those provided by Salons through any distribution channel, including, but not limited to, sales via mail order, catalog, toll-free telephone numbers, and electronic means, including the Internet under the Marks or trademarks ~~and services marks other than the Marks~~; (4) engage in an Acquisition, including an Acquisitions that results in 1 or more competitive businesses operating within your Protected Territory using the Marks; and (5) establish and operate, or grant others the right to establish and operate, Salons that are located within Special Locations that are located anywhere, including within your Protected Territory or Development Territory. You will not receive compensation if we solicit or ~~accept~~approve orders from inside your Protected Territory or Development Territory.

An “Acquisition” means either (i) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise or (ii) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise.

### ITEM 13 TRADEMARKS

Franchisor grants you the right and license to use the Marks and the System solely in connection with your Salon. You may use ~~our~~the trademarks “Sparkle,” “Sparkle ~~Dog Wash & Grooming Bar,~~” “Sparkle ~~Grooming Co.,~~” and other ~~marks we authorize (“Marks”)~~trademarks that we specify and designate and such other (collectively the “Marks-as-are”) that we designated in writing ~~by Franchisor~~ for your use. In addition, you may use the ~~m~~ Marks only in the manner authorized and permitted by Franchisor and you may not directly or indirectly contest Franchisor’s ownership of or rights in the Marks.

The following Marks have been registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

| <u>Mark</u>    | <u>Registration Date</u> | <u>Registration Number</u> | <u>Status</u>     | <u>Register</u>  |
|----------------|--------------------------|----------------------------|-------------------|------------------|
| <u>SPARKLE</u> | <u>March 18, 2025</u>    | <u>7732664</u>             | <u>Registered</u> | <u>Principal</u> |

We have applied for registration of the following Marks with the ~~U.S. Patent and Trademark Office (“USPTO”)~~ on the Principal Register: ~~At the appropriate times, we intend to renew the registrations and to file all appropriate affidavits.~~

| <u>Mark</u>                         | <u>Serial Number</u> | <u>Application Date</u> | <u>Status</u>              | <u>Register</u>  |
|-------------------------------------|----------------------|-------------------------|----------------------------|------------------|
| <u>SPARKLE GROOMING CO.</u>         | <u>99083253</u>      | <u>March 13, 2025</u>   | <u>Pending Application</u> | <u>Principal</u> |
| <u>NOT YOUR AVERAGE DOG GROOMER</u> | <u>99083279</u>      | <u>March 13, 2025</u>   | <u>Pending Application</u> | <u>Principal</u> |
| <u>CLEAN. HEALTHY. HAPPY</u>        | <u>99083234</u>      | <u>March 13, 2025</u>   | <u>Pending Application</u> | <u>Principal</u> |

| <u>Mark</u>                                | <u>Serial Number</u> | <u>Application Date</u>   | <u>Registration Number</u> | <u>Registration Date (Renewal Date)</u> | <u>Register</u>  |
|--------------------------------------------|----------------------|---------------------------|----------------------------|-----------------------------------------|------------------|
| <u>SPARKLE DOG WASH &amp; GROOMING BAR</u> | <u>97610476</u>      | <u>September 28, 2022</u> | <u>N/A</u>                 | <u>N/A</u>                              | <u>Principal</u> |

| Mark    | Serial Number | Application Date   | Registration Number | Registration Date (Renewal Date) | Register  |
|---------|---------------|--------------------|---------------------|----------------------------------|-----------|
| SPARKLE | 97610463      | September 28, 2022 | N/A                 | N/A                              | Principal |

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have the legal benefits of a federal trademark, which may increase your expenses.

All required affidavits have been filed.

There are no agreements currently in effect that significantly limit Franchisor's right to use or license the use of the Marks in a manner material to the franchise.

There are currently no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, ~~or~~ cancellation proceeding, or any pending material federal or state court litigation regarding the franchisor's use or ownership rights in the trademark listed above.

We reserve the right to change the Marks you must use at any time. If this happens, you must comply with the change at your expense within a reasonable time after we notify you of the change. Your rights in the Regional Developer Agreement will continue although those rights will only apply to the changed Marks, and you will no longer have any rights with respect to the discontinued Marks.

The Company will indemnify against or reimburse for expenses you incur in defending claims of infringement or unfair competition arising out of your use of the Marks.

You are required to notify Franchisor immediately when you become aware of the use, or claim of right to, a ~~Mark-trademark that is~~ identical or confusingly similar to ~~our~~ the Marks. If litigation involving the Marks is instituted or threatened against you, you must notify Franchisor promptly and cooperate fully with Franchisor in defending or settling the litigation. The Company, at its option, may defend and control the defense of any proceeding relating to ~~any~~ the Marks.

The Company has no actual knowledge of either superior prior rights or infringing uses that could materially affect a Franchisee's use of the Marks in any state.

## ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

### Patents Rights

The Company owns no rights in or to any patents that are material to the franchise.

### Copyrights

The Company claims a copyright and treats the information in the Manual as confidential trade secrets, but you are permitted to use the material as part of the franchise. You must promptly tell us when you learn about unauthorized use of our copyright. We are not obligated to act but will respond to this information as we deem appropriate. We have the exclusive right to control any proceeding or litigation alleging the unauthorized use of our copyrights. We have no obligation to: (i) indemnify you for any expenses or damages arising from any proceeding or litigation involving our copyrights; or (ii) participate in your defense if you are a party to an administrative or judicial proceeding involving our copyrights. At any time, we may change our copyrighted items, and you must comply with these changes at your expense within ~~a reasonable time~~ 10 days after notice from us. There are no infringements that are known by us at this time. Your rights in the

Franchise Agreement will continue although those rights will no longer apply to any copyrights that we determine can no longer be used by you or franchisees and you will no longer have any rights with respect to the copyrights that we no longer authorize for use.

There are no currently effective material determinations of the United States Patent and Trademark Office, the United States Copyright Office or any court regarding the copyrights or the proprietary information. There are no agreements currently in effect that significantly limit our rights to use or license the use of the copyrights and proprietary information. There are no superior prior rights or infringing uses of the principal copyrights and proprietary information actually known to us, which rights or uses could materially affect your use of the principal copyrights and proprietary information in any state.

### **Confidential Operations Manual**

Under the Franchise Agreement, you must operate the Salon in accordance with the standards, methods, policies, and procedures specified in the Manual. We will loan you a copy of the Manual or make the Manual available to you electronically for the term of the Franchise Agreement when you have completed the Initial Training Program to our satisfaction. You must operate your Salon strictly in accordance with the Manual, as it may be revised by Franchisor from time to time.

You must, at all times, treat the Manual and the information in it, as well as any other materials created for or approved by use for the operation of your Salon, as confidential, as required by the Franchise Agreement. You must use all reasonable efforts to maintain this information secret and confidential. You must not copy, duplicate, record or otherwise make them available to any unauthorized person. The Manual will remain our sole property and must be returned in the event that you cease to be a Salon Owner.

We may from time to time revise the contents of the Manual, and you must comply with each new or changed provision. You must ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copies maintained by us at Company's home office will ~~be~~ controlling.

### **Confidential Information**

The Franchise Agreement requires you to maintain all Confidential Information of Franchisor as confidential both during and after the term of the Agreement. "Confidential Information" includes all information, data, techniques, and know-how designated or treated by Franchisor as confidential and includes the Manual. You may not at any time disclose, copy, or use any Confidential Information except as specifically authorized by Franchisor.

Under the Franchise Agreement, you agree that all information, data, techniques, and know-how developed or assembled by you or your employees or agents during the term of the Franchise Agreement and relating to the System will be deemed a part of the Confidential Information protected under the Franchise Agreement. If you, your employees, or Principal Owners develop any new concept, process or improvement in the operation or promotion of a Sparkle Franchise (an "Improvements"), you agree to promptly notify us and provide us with all necessary related information, without compensation. Any Improvement shall become our sole property, and we shall be the sole owner of all related patents, patent applications, and other intellectual property rights. Improvements will be considered "Confidential Information." You and your Principal Owners agree to assist us in obtaining and enforcing the intellectual property rights to any Improvement in any and all countries and agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights.

See Item 15 below concerning your obligation to obtain confidentiality and non-competition agreements from persons involved in the Franchise Business.



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

Franchisees (or Franchisee's Operating Principal if Franchisee is an entity) are expected to participate in the direct operation of the Salon on a full-time basis. If they cannot, Franchisee is obligated to have a fully trained Manager operate the Salon.

Any Manager you employ at the launch~~ing~~ of your franchise operations must complete the Initial Training Program required by Franchisor. All subsequent Managers must be trained fully according to our standards by either Franchisee or Franchisor. Franchisor may charge a fee for this additional training. We do not require the General Manager to own an interest in the entity, but the General Manager must sign our prescribed form of Confidentiality Agreement. Your Salon must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program.

Each Owner of Franchisee must personally guarantee all of the obligations of the Franchisee under the Franchise Agreement. (See Exhibit 2 to the Franchise Agreement for the form of Guaranty and Assumption of Obligations.) The Guaranty and Assumption of Obligations must be executed by the spouse(s) of the Franchisee, and all its owners, partners, etc. You must submit your operating agreement and statement of legal formation if you are an LLC and the appropriate corporate documents if you are incorporated. You are obligated to maintain them in good standing and submit copies of the by-laws and resolutions as may be required.

At Franchisor's request, you must obtain and deliver executed covenants of confidentiality and non-competition (See **Exhibit E**) from any persons who have or may have an ownership interest in Franchisee or in the franchise, any Managers, or any other persons who receive or have access to training and other Confidential Information under the System. The covenants must be in a form satisfactory to us and must provide that we are a third party beneficiary of and have the independent right to enforce the covenants. You may not transfer any interest in the Franchise, the franchise agreement, or the lease for the Premises of the Franchise, without our prior written consent.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISE OWNER MAY SELL**

You must operate the Salon in strict conformity with the prescribed methods, procedures, policies, standards, and specifications of the System, as set forth in the Manual and in other writings by Franchisor from time to time. You must use the Premises only for the operation of your Salon and may not operate any other business at or from the Premises without the express prior written consent of Franchisor.

Franchisor requires you to offer and sell only those goods and services that Franchisor has approved. Franchisor maintains a written list of approved goods and services in its Manual, which Franchisor may change from time to time. If you sell unapproved goods or services or fail to report them, we have the right to charge you fees, and if you continue to do so after written notice is given to you, Franchisor may terminate the Franchise Agreement.

You must offer all goods and services that Franchisor designates as required for all franchises. In addition, Franchisor may require you to comply with other requirements (such as state or local licenses, training, marketing, insurance) before Franchisor will allow you to offer certain services.

We reserve the right to designate additional required or optional goods and services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements. There are no express limitations on our right to designate additional or operational goods and services; however, such goods and services will be reasonably related to our franchise system or model.

We do not currently have any restrictions or conditions that limit access to customers to whom the Franchisee may sell goods or services.

Franchisee and each Owner of Franchisee are explicitly prohibited and not authorized to offer products of services identical or similar to the products or services offered by us through any means or through any other entity in which you may have an interest, other than your franchise.

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

### THE FRANCHISE RELATIONSHIP

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

| Provision                                                                   | Section in Franchise Agreement/<br>Development Agreement          | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the Term of the Franchise                                      | <a href="#">FA: 4.1</a><br><a href="#">DA: <del>4.1</del> 6.A</a> | <a href="#">FA:</a> The initial term of the Franchise Agreement (“Initial Term”) will begin on the Effective Date and expire at midnight on the day preceding the 10th anniversary of the date your Sparkle Salon first opens for business unless the Franchise Agreement is terminated at an earlier date.<br><br><a href="#">DA:</a> <u>The date of the last Development Deadline specified in Section 1 of the Development Agreement;</u>                                                                                                                                                                                                                                                                                                                     |
| b. Renewal or extension of the Term                                         | <a href="#">FA: 4.2</a><br><a href="#">DA: <del>4.2</del> 7</a>   | <a href="#">FA:</a> When the Franchise Agreement (and the first Successor Term) expires, you will have the option to request the right to remain a franchisee at the Premises for successor terms of five (5) years each.<br><br><a href="#">DA:</a> <u>You may extend the Development Deadline to open a Sparkle Salon on a month to month basis, by paying us an extension fee (the “Extension Fee”). The Extension Fee currently being charged is \$2,500 per month per Sparkle Salon</u>                                                                                                                                                                                                                                                                     |
| c. Requirements for you to renew or extend your franchise <del>system</del> | <a href="#">FA: 4.2</a><br><a href="#">DA: <del>4.2</del> 7</a>   | <ul style="list-style-type: none"> <li>• <a href="#">FA:</a> <u>Subject to applicable state law,</u> <del>You</del> you must give us written notice of your election to remain a franchisee at the Sparkle Salon <del>not less than 9 months, nor more than 12 months, before the end of the Initial Term or first Successor Term;</del></li> <li>• <del>You must</del> pay us a Successor Franchise Fee;</li> <li>• <del>not be</del> <u>Neither you nor any of your affiliates are</u> in default under the Franchise Agreement or any other agreements with us or our affiliates;</li> <li>• <del>You must</del> have the right to remain in possession of the Premises <del>(or, another location acceptable to us)</del> for the Successor Term;</li> </ul> |

| Provision             | Section in Franchise Agreement/<br><u>Development Agreement</u> | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       |                                                                 | <ul style="list-style-type: none"> <li><del>• You must</del> renovate and update your Sparkle Salon <del>to reflect the then-current image of Sparkle Salons;</del></li> <li><del>• You must</del> correct any existing deficiencies of your Sparkle Salon or in your operation of your Sparkle Salon and satisfy our then-current System Standards <del>including adding any new products or services that are then being offered in the System,</del> meet our qualifications for new franchisees, and complete any additional certification and training requirements <del>that apply to you, your Operating Principal, your managerial and training personnel and/or your staff (which may involve the payment of training fees);</del></li> <li><del>• , and sign our then current forms of agreements</del> <u>must</u> You must sign, and your owners and all guarantors of your obligations under the Franchise Agreement must personally guarantee, our standard form of Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered, if we are not then offering to new franchisees), which may be materially different than the terms of the Franchise Agreement.</li> </ul> <p><u>DA: your originally signed; and You may extend the Development Deadline to open a Sparkle Salon on a month to month basis, by paying us the Extension Fee. The Extension Fee currently being charged is \$2,500 per month per Sparkle Salon</u></p> <ul style="list-style-type: none"> <li><del>• You, and your owners and guarantors of your obligations under the Franchise Agreement must sign a general release (substantially similar to the form attached as Exhibit H to the FDD) releasing any and all claims against us, and our affiliates, owners, officers, directors, agents and employees.</del></li> </ul> |
| d. Termination by you | <u>FA: 19.1</u><br><u>DA: Not Applicable</u>                    | <p>FA: Franchisee may terminate this Franchise Agreement upon the material default by Franchisor of one or more provisions of this Franchise Agreement provided that the Franchisee provides written notice of the default to Franchisor along with no less than sixty (60) days to cure the default. <u>or under any grounds permitted by applicable law.</u> <del>If the default outlined in Franchisee's notice of default cannot be cured within sixty (60) days and Franchisor is making commercially reasonable efforts to cure the default, the cure period shall be extended for an additional sixty (60) days.</del></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| Provision                          | Section in Franchise Agreement/<br>Development Agreement | Summary                                                                                      |
|------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------------------|
|                                    |                                                          | <a href="#">DA: The Regional Developer may terminate under any grounds permitted by law.</a> |
| e. Termination by us without cause | <del>N/A</del> <a href="#">Not Applicable</a>            |                                                                                              |

|                                        |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| <p>f. Termination by us with cause</p> | <p><u>FA: 19.2, 19.3</u><br/><u>DA: 19.26</u></p> | <p><del>You: (i) do not locate, and sign a Lease or acquisition document for, a site approved by us for the Premises; or (ii) comply with the terms of Section 5 within 12 months of the Effective Date of the Franchise Agreement;</del></p> <p><del>You do not open your Sparkle Salon within the time period prescribed in Section 6.2;</del></p> <p><del>You abandon or fail actively to operate your Sparkle Salon for a period of three (3) or more consecutive days, unless you close your Sparkle Salon for a purpose we approve in writing or because of Force Majeure, as defined in Section 25.3;</del></p> <p><del>You become insolvent; you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Sparkle Salon is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or your Sparkle Salon is not vacated within 30 days following the order's entry;</del></p> <p><del>There is a material breach by you of any covenant or obligation reflected in Section 18;</del></p> <p><del>Any Transfer that requires our prior written consent occurs without your having obtained that prior written consent;</del></p> <p><del>We discover that you made a material misrepresentation or omitted a material fact in the information that you provided to us in connection with our decision to grant a Franchise to you;</del></p> <p><del>You knowingly falsify any report required to be furnished to us; make any material misrepresentation in your dealings with us; or fail to disclose any material facts to us;</del></p> <p><del>If an incident occurs at your Sparkle Salon that involves one of your employees and we discover that you did not conduct adequate due diligence and criminal background checks on that employee;</del></p> <p><del>We make a reasonable determination that continued operation of your Sparkle Salon by you will result in an imminent danger to public health or safety;</del></p> <p><del>You lose the right to occupy the Premises;</del></p> <p><del>You, the Operating Principal, your Salon Manager or any of your owners are convicted of, or plead no</del></p> |
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| Provision | Section in Franchise Agreement/<br><u>Development Agreement</u> | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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|           |                                                                 | <p><del>contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates, the goodwill associated with the Marks, or the System;</del></p> <p><del>You, or your Operating Principal, your Salon Manager and/or any management personnel of your Sparkle Salon do not satisfactorily complete the initial training program (after we provide a second opportunity as provided in Section 11.1(a));</del></p> <p><del>Your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation; you or your owners: (a) remain in default beyond the applicable cure period under, or we terminate, any other agreement with us or our affiliates (provided that, if the default is not by you, we will provide to you written notice of the default and a 30-day period to cure the default); (b) remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to your Sparkle Salon; (c) remain in default beyond the applicable cure period under any contract with any vendor or supplier to your Sparkle Salon; or (d) fail to pay when due any taxes or assessments relating to your Sparkle Salon or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization;</del></p> <p><del>You interfere with our relations with other franchisees, third parties and/or negatively impact our ability to operate and/or grant franchises under our System;</del></p> <p><del>You materially breach any representation or warranty described in Section 30;</del></p> <p><u>Subject to applicable state law, we may terminate the franchise agreement for cause.</u><del>You fail to maintain all insurance policies required by Section 12.9 Cause is defined in Section 19.2 and 19.3 of the Franchise Agreement and/or you allow or communicate your intent to allow any policy of</del></p> |



| Provision                                      | Section in Franchise Agreement/<br><u>Development Agreement</u> | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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|                                                |                                                                 | <p><del>insurance required by the Franchise Agreement to expire, lapse, cancel or terminate;</del></p> <p><del><u>Section 6 of the Development Agreement.</u> If you have received two (2) or more notices of default within the previous 12-month period, we may send you a notice of termination upon your next default within that 12-month period without providing you an opportunity to remedy the default.</del></p> <p><del>We (or our designee) may periodically conduct inspections of your Sparkle Salon to evaluate your compliance with the System and the Franchise Agreement. Following each Inspection, we will provide you an Inspection report and Inspection score on the Inspection and those conditions at your Sparkle Salon that must be rectified. If you fail to achieve a passing score on an Inspection, the Inspection report will constitute a notice of default. If you fail to achieve a passing score on the next Inspection (which we will conduct at least 30 days after your receipt of the Inspection report for the prior Inspection), we may terminate the Franchise Agreement, without opportunity to cure, by providing you written notice of termination along with the Inspection report.</del></p> <p><del>If you default in the payment of any monies owed to us or our affiliates when such monies become due and payable and you fail to pay such monies within 5 days after receiving written notice of default or immediately if payment has not been made within 30 days of its due date, then the Franchise Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.</del></p> |
| g. "Cause" defined- defaults that can be cured | <u>FA: 19.3</u><br><u>DA: 19.36</u>                             | <p><u>FA: Subject to applicable state law, Except for those items listed in Section 19.2 or 19.3(a), you will have 30 days after written receipt of notice of default from us within which to remedy any default and provide evidence of that remedy to us. If any default is not cured within that time, the Franchise Agreement will terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. If the default cannot be corrected within 30 days, you will have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that you promptly begin taking the actions</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Provision                                         | Section in Franchise Agreement/<br>Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|                                                   |                                                          | <p>necessary to correct the default during the 30-day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 19.3 for any failure to materially comply with any of the requirements imposed by the Franchise Agreement, the Manual or otherwise in writing, or to carry out the terms of the Franchise Agreement in good faith.</p> <p><u>DA: See Summary in Section f. above</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| h. “Cause” defined- defaults that cannot be cured | <p><u>FA: 19.2</u><br/><u>DA: <del>19.26</del></u></p>   | <p><b>See f. above</b></p> <p><u>Certain defaults are not curable. The non-curable defaults are listed in Section 19.2 of the Franchise Agreement and Section 6 of the Development Agreement. The definition of cause includes the default of another agreement between Franchisee or Regional Developer and Franchisor. Subject to applicable state law.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| i. Your obligations on termination/non-renewal    | <p><u>FA: 18,20</u><br/><u>DA: <del>20</del>10</u></p>   | <p>Upon termination or expiration of the Franchise Agreement:</p> <p><del>, The</del> the rights granted to you in the Protected Territory immediately will terminate, and we will have the right to operate, or license others to operate, Sparkle Salons anywhere in the Protected Territory;</p> <p><del>and You</del> you and your owners <del>must continue to abide by the covenants in Section 18;</del> <u>will be required to comply with the post-termination obligations of Section 18 and 20 of the Franchise Agreement and Section 10 of the Development Agreement.</u></p> <p><del>Within 15 days, or on any later date that we determine the amounts due to us, you must pay to us and our affiliates all sums due and owing to us and our affiliates;</del></p> <p><del>You must immediately discontinue all use of the Marks in connection with your Sparkle Salon and of any and all items bearing the Marks; remove the Marks from your Sparkle Salon and from clothing, signs, materials, motor vehicles and other items owned or used by you in the operation of your Sparkle Salon; cancel all advertising for your Sparkle Salon that contains the Marks; and take such action as may be necessary to cancel any filings or registrations for your Sparkle Salon that contain any Marks. You must comply with this</del></p> |

| Provision | Section in Franchise<br><u>Agreement/<br/>Development<br/>Agreement</u> | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|           |                                                                         | <p><del>Section 20.1. before any items bearing the Marks are offered for sale or auction by you or your Franchisors or lienholders;</del></p> <p><del>You must immediately cease using any of our Confidential Information (including the Salon Systems or similar technology and digital passwords and identifications that we have licensed or loaned to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us the Salon Systems, your client list, your telephone numbers, your email addresses, your social media pages, all copies of the Manual, and any other confidential materials that we have loaned you;</del></p> <p><del>Within 30 days, you must deliver to us all signs, sign faces, sign cabinets, marketing materials, forms, and other materials containing any Mark, or otherwise identifying or relating to a Sparkle Salon that we request and allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from Sparkle Salon;</del></p> <p><del>You agree to promptly notify social media platforms, and internet service providers of the termination or expiration of your right to use any URLs and domain names, or other numbers, names associated with any Mark; to authorize the transfer of these listings to us or to a third party, at our direction; and/or to instruct the domain name registries and internet service providers to forward all calls, e-mails and electronic communications made to names, numbers or addresses we specify; and</del></p> <p><del>If we do not have or do not exercise an option to purchase the Assets of Sparkle Salon under Section 21 below, you agree promptly and at your own expense to make the alterations we specify in our Manual (or otherwise) to distinguish your Sparkle Salon clearly from its former appearance and from other Sparkle Salons in order to prevent public confusion. If you fail to promptly make these alterations and modifications, we will have the right (at your expense, to be paid upon your receipt of an invoice from us) to do so without being guilty of trespass or other tort.</del></p> |

| Provision                       | Section in Franchise Agreement/<br>Development Agreement             | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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|                                 |                                                                      | <p><del>You must furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by you or by your chief executive officer if you are a corporation; by your manager, if you are a limited liability company; or by your general partner, if you are a partnership) satisfactory to us of your compliance with Sections 20.1</del></p> <p><del>You will not, except with respect to a business franchised by us or our affiliates which is then open and operating under to an effective franchise agreement: (1) operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with us or our affiliates or have any right to use the System or the Marks; (2) make, use or avail yourself of any of the materials or Confidential Information furnished or disclosed by us or our affiliates under the Franchise Agreement or disclose or reveal any such materials or Confidential Information or any portion of those materials or Confidential Information to anyone else; or (3) assist anyone not licensed by us or our affiliates to construct or equip a business substantially similar to a Sparkle Salon.</del></p> <p><del>All of our and your (and your owners') obligations which expressly or by their nature survive the Franchise Agreement's expiration or termination will continue in full force and effect subsequent to the expiration or termination and until the obligations are satisfied in full or by their nature expire.</del></p> |
| j. Assignment of contract by us | <a href="#">FA: 15</a><br><del>DA: 15</del> <a href="#">11.E</a>     | We have the absolute, unrestricted right, exercisable at any time, to change our ownership or form and/or transfer and assign all or any part of our rights and obligations under the Franchise Agreement <a href="#">or Development Agreement</a> to any person or legal entity without your consent. After our transfer or assignment of the Franchise Agreement <a href="#">or Development Agreement</a> to a third party who expressly assumes the obligations under the Franchise <a href="#">Agreement or Development Agreement</a> , we no longer will have any performance or other obligations under the Franchise Agreement <a href="#">or Development Agreement</a> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| k. "Transfer" by you—definition | <a href="#">FA: 16.1</a><br><del>DA: 16.1</del> <a href="#">11.D</a> | <a href="#">FA:</a> The sale, assignment, transfer, conveyance, gift, pledge, mortgage, or encumbrance of any interest in you, the Franchise Agreement, your                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Provision                                      | Section in Franchise Agreement/<br>Development Agreement   | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|                                                |                                                            | <p>Sparkle Salon, the Assets of your Sparkle Salon, the Premises, the Lease, or any other assets pertaining to your operations under the Franchise Agreement.</p> <p><u>DA: The assignment or transfer, by operation of law or otherwise, of rights under the Development Agreement</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| l. Our approval of transfer by franchise owner | <p><u>FA: 16.1</u><br/><u>DA: <del>16.1</del> 11.D</u></p> | <p><u>FA: Subject to applicable state law, N</u>either you nor any immediate or remote successor may transfer or assignment any part of your interest in the Franchise Agreement, nor any individual or entity which directly or indirectly controls you may sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in you, the Franchise Agreement, your Sparkle Salon, the Assets of your Sparkle Salon, the Premises, the Lease or any other assets pertaining to your operations under the Franchise Agreement without our prior written consent.</p> <p><u>DA: Subject to applicable state law, Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under the Development Agreement without the prior written consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion.</u></p>                                                                                                                                                                                                                                                                                                            |
| m. Conditions for our approval of transfer     | <p><u>FA: 16.1</u><br/><u>DA: <del>16.1</del> 11.D</u></p> | <p><u>FA: Subject to state law,</u> You must advise us in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, a copy of all contracts and all other agreements or proposals, and all other information requested by us, relating to the proposed Transfer. Along with that required information, you must pay to us a <del>Transfer Fee</del>, <u>subject to applicable state law</u>, equal to twenty-five percent of our then current initial franchisee fee provided that the <del>Transfer Fee</del> shall not exceed \$12,500 (<del>“Transfer Fee”</del>).<u>15,000. The Transfer Fee is non-refundable, however, if the proposed Transfer transaction does not close, then we shall apply the Transfer Fee against the transfer fee for any subsequent Transfer that you close within the 12-month period following your initial Transfer application. If we do not exercise our right of first refusal (as stated in Section 16.7), the decision as to whether or not to approve a proposed Transfer will be made by us in our sole discretion and will include numerous factors deemed relevant by us. These</u></p> |

| Provision | Section in Franchise Agreement/<br><u>Development Agreement</u> | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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|           |                                                                 | <p>factors may include, but will not be limited to, the following:</p> <p><del>the proposed transferee meets our then-current standards for new franchisees and has sufficient business experience, aptitude, and financial resources to operate your Sparkle Salon;</del></p> <p><del>you have paid all amounts owed to us, our affiliates, and third-party vendors and suppliers, have submitted all required reports and statements, and are not in violation of the Franchise Agreement;</del></p> <p><del>neither the proposed transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competing Business (as defined in Section 18.2);</del></p> <p><del>the proposed transferee (or its Operating Principal) satisfactorily completes our initial training program (and any other required training programs we require) and pays any then-current training fees;</del></p> <p><del>the proposed transferee has demonstrated an ability to obtain possessory rights in the Premises;</del></p> <p><del>you have corrected any existing deficiencies of your Sparkle Salon of which we have notified you, and/or the proposed transferee agrees to upgrade, remodel, and refurbish your Sparkle Salon in accordance with our then-current requirements and specifications for Sparkle Salons within the time period we specify following the effective date of the Transfer (we will advise the proposed transferee before the effective date of the Transfer of the specific actions that are required and the time period within which such actions must be taken);</del></p> <p><del>if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Sparkle Salon are subordinate to the transferee's obligation to pay Royalty Fees, Advertising Fund contributions, and other amounts due to us, our affiliates, and third-party suppliers and vendors and otherwise to comply with the Franchise Agreement;</del></p> <p><del>you (and your transferring owners) must sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees, and agents.</del></p> |



| Provision                                                                      | Section in Franchise Agreement/<br>Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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|                                                                                |                                                          | <p><del>you modify and/or upgrade certain fixtures, equipment, features, and computer hardware or software to our then current standards prior to the closing of the proposed Transfer.</del></p> <p><u>DA: Subject to applicable state law, Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under the Development Agreement without the prior written consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion.</u></p>                                                                                                                                                                                                                                                                 |
| <u>n. Franchisor's right of first refusal to acquire franchisee's business</u> | <u>FA: 16.8</u><br><u>DA: Not Applicable</u>             | <u>FA: Subject to applicable state law, we have the right, exercisable within 10 days after receipt of the notice specified in Section 16.2(a) to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise it. Our right of first refusal will not apply with regard to Transfers for Convenience of Ownership under Section 16.4.</u>                                                                                                                                                                                                                                                                                                |
| o. Our option to purchase your business                                        | <u>FA: 16.7</u><br><u>DA: Not Applicable</u>             | <p><del>We</del>Subject to applicable state law, we have the right, exercisable within 10 days after receipt of the notice specified in Section 16.2(a) to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise it. Our right of first refusal will not apply with regard to Transfers for Convenience of Ownership under Section 16.4.</p> <p>Upon the expiration or termination of the Franchise Agreement for any reason, we will provide written notice to you, within 30 days after the effective date of termination or expiration, if we intend to exercise our option to purchase from you some or all of the Assets.</p> |
| p. Your death or disability                                                    | <u>FA: 16.5</u><br><u>DA: <del>0</del>11.D</u>           | <u>FA: If the Transfer is a transfer of ownership interests in you following the death or permanent incapacity (as reasonably determined by us) of one of your owners, that person's executor, administrator, or other personal representative must apply to us in writing within 90 days after death or declaration of disability for consent to Transfer this person's interest to a third party that we have approved. We do not charge a Transfer Fee under Section 16.5. That Transfer must be completed within a reasonable time, not to exceed 6 months from the date of death or disability and is subject to all of the terms and conditions in Section 16.</u>                                                                                                |

| Provision                                                     | Section in Franchise Agreement/<br>Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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|                                                               |                                                          | <u>DA: Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under the Development Agreement without the prior written consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| q. Non-competition covenants during the term of the franchise | <u>FA: 18</u><br><u>DA: 010.B</u>                        | <p><u>FA: Subject to state law, You and your owners will not, either directly or indirectly own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner in any Competing Business; knowingly employ or seek to employ any person then employed by us or employed by any Sparkle Salon franchisee as a manager or higher, or otherwise induce such person to leave his or her employment without our prior written consent; or divert or attempt to divert, any actual or potential business or customer of any Sparkle Salon to a Competing Business.</u></p> <p><u>DA: Subject to state law, You and your owners will not, either directly or indirectly, <del>for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:</del> own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services <del>as a partner, director, officer, manager, employee, consultant, representative, or agent</del> in any Competing Business; knowingly employ or seek to employ any person then employed by us or employed by any Sparkle Salon franchisee as a manager or higher, or otherwise <del>directly or indirectly</del> induce such person to leave his or her employment without our prior written consent; or</u></p> <p><u><del>divert or attempt to divert, by direct or indirect inducement or otherwise,</del> any actual or potential business or customer of any Sparkle Salon to a Competing Business.</u></p> <p><u><del>During the term of the Franchise Agreement, there is no geographical limitation on the restrictions contained in Section 18.2.</del></u></p> |
| r. Non-competition covenants after the                        | <u>FA: 18.2</u><br><u>DA: 010.B</u>                      | <u>You may not during the term of the Franchise Agreement or Development Agreement perform services as a partner, director, officer, manager,</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Provision                                    | Section in Franchise Agreement/<br>Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Franchise Agreement is terminated or expires |                                                          | <p><u>employee, consultant, representative, or agent in any business that offers pet grooming services and related products and services, knowingly employ or seek to employ any person then employed by us or employed by any Sparkle Salon franchisee as a manager or higher level position, or divert or attempt to divert any actual or potential business or customer of any Sparkle Salon to a business that offers pet grooming services or related products and services subject to state law.</u></p> <p><u>FA: For purposes of the Franchise Agreement, the term “Restricted Period” shall mean be two (2) years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Franchise Agreement expires or is terminated.</u> <u>subject to state law.</u></p> <p><del>During the Restricted Period, these restrictions will apply at the Premises; within the Protected Territory; within a 5-mile radius of the outer boundaries of the Protected Territory; and within 5 miles of any other Sparkle Salon in operation or under construction on the later of: (i) the date of the termination or expiration of the Franchise Agreement (the "Restricted Area"); or (ii) the date on which all persons restricted by Section 18.2 begin to comply with Section 18.2.</del></p> <p><u>DA: For purposes of the Development Agreement, the term “Restricted Period” shall be two (2) years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Development Agreement expires or is terminated subject to state law.</u></p> |
| s. Modification of the Agreement             | <u>FA: 26</u><br><u>DA: 2611.F</u>                       | No amendment, change or variance from the Franchise Agreement <u>or Development Agreement</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| Provision                                         | Section in Franchise Agreement/<br>Development Agreement   | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   |                                                            | will be binding on either party unless mutually agreed to by you and us and executed in writing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| t. Integration/ merger clause                     | <a href="#">FA: 26</a><br><a href="#">DA: 2611.G</a>       | <p>The Franchise Agreement and its attachments, the Manual, and the documents referred to in the Franchise Agreement constitute the entire, full, and complete agreement between the parties <del>concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by the Franchise Agreement other than those listed in the Franchise Agreement and its attachments, the Manual, and the documents referred to in the Franchise Agreement (including our Franchise Disclosure Document).</del> Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.</p> <p><u>Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.</u></p> |
| u. Dispute resolution by arbitration or mediation | <a href="#">FA: 27</a><br><a href="#">DA: 2711.J</a>       | Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. These provisions are subject to state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| v. Choice of forum                                | <a href="#">FA: 27.4</a><br><a href="#">DA: 27.411.J.3</a> | Subject to applicable state law, you and we agree that, to the extent <u>that</u> any disputes cannot be resolved directly between us, you will file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. These provisions are subject to state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| w. Choice of law                                  | <a href="#">FA: 27.3</a><br><a href="#">DA: 27.311.J.2</a> | Subject to applicable state law and except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, the Franchise Agreement, Salon, and all claims arising from the relationship between you and us will be governed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Provision | Section in Franchise<br><u>Agreement/<br/>Development<br/>Agreement</u> | Summary                                                                         |
|-----------|-------------------------------------------------------------------------|---------------------------------------------------------------------------------|
|           |                                                                         | by the laws of the State of Arizona. These provisions are subject to state law. |

Applicable state law might require additional disclosures or requirements related to the information contained in this Disclosure Document. These additional disclosures, if any, appear in **Exhibit G** of this Disclosure Document.

## ITEM 18 PUBLIC FIGURES

Franchisor does not use any public figure to promote its franchise.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Franchisor provides two (2) based financial performance representations in this disclosure document: (1) Total Visits, Total Members, and Net Sales for Two Sparkle Salons During Each Salon's Grand Opening Period (3 Months); and (2) Total Visits, Total Members, and Net Sales For One (1) Affiliate Owned Sparkle Salon in Gilbert, Arizona For Calendar Year 2024.

~~NET SALES, NEW MEMBERS AND~~TOTAL VISITS, TOTAL MEMBERS, ~~AT AND ONE~~T (1) AFFILIATE OWNEDSALES FOR TWO (2)  
SPARKLE SALONS  
~~DURING ITS FIRST THREE (3) MONTHS OF OPERATION (EACH SALON'S GRAND OPENING PERIOD) (OCTOBER 2023-DECEMBER 2023)~~MONTHS)

| Month         | Oct      | Nov      | Dec      |
|---------------|----------|----------|----------|
| Net Sales     | \$10,014 | \$20,551 | \$27,759 |
| New Members   | 104      | 104      | 127      |
| Total Members |          | 208      | 335      |

| <u>Grand Opening Period: Sparkle Grooming Co. (SanTan Village)</u> |                 |                 |                 | <u>Grand Opening Period: Sparkle Grooming Co. (Scottsdale Shea)</u> |                 |                 |                 | <u>Grand Opening Period (First 3 Months): SanTan Village vs Scottsdale Shea</u> |                       |                        |                |
|--------------------------------------------------------------------|-----------------|-----------------|-----------------|---------------------------------------------------------------------|-----------------|-----------------|-----------------|---------------------------------------------------------------------------------|-----------------------|------------------------|----------------|
| <u>Month</u>                                                       | <u>1</u>        | <u>2</u>        | <u>3</u>        | <u>Month</u>                                                        | <u>1</u>        | <u>2</u>        | <u>3</u>        | <u>First 3 Months</u>                                                           | <u>SanTan Village</u> | <u>Scottsdale Shea</u> | <u>Comp %</u>  |
| <u>Total Visits</u>                                                | <u>188</u>      | <u>355</u>      | <u>532</u>      | <u>Total Visits</u>                                                 | <u>306</u>      | <u>423</u>      | <u>549</u>      | <u>Total Visits</u>                                                             | <u>1075</u>           | <u>1278</u>            | <u>18.88%</u>  |
| <u>Total Members</u>                                               | <u>104</u>      | <u>208</u>      | <u>335</u>      | <u>Total Members</u>                                                | <u>100</u>      | <u>176</u>      | <u>245</u>      | <u>Total Members</u>                                                            | <u>335</u>            | <u>245</u>             | <u>-26.87%</u> |
| <u>Net Sales</u>                                                   | <u>\$10,014</u> | <u>\$20,551</u> | <u>\$27,759</u> | <u>Net Sales</u>                                                    | <u>\$19,999</u> | <u>\$26,507</u> | <u>\$33,510</u> | <u>Net Sales</u>                                                                | <u>\$58,324</u>       | <u>\$80,016</u>        | <u>37.19%</u>  |
| <u>* 4 Table / Tub Salon</u>                                       |                 |                 |                 | <u>* 6-8 Table / Tub Salon</u>                                      |                 |                 |                 |                                                                                 |                       |                        |                |



~~(1) — “Net Sales” means the total of all revenue and receipts derived from the operation of the Salon, including all amounts received at or away from the Salon, or through the business the Salon conducts (such as fees for Services, fees for the sale of products, gift card sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and customer refunds.~~

(1) Total Members is Visits means the total number of visits for services by members and non-members during the reflected time period.

(2) ~~(2) — New~~ Total Members means the total number of ~~new~~ active membership agreements for the applicable Sparkle Salon ~~for as of the calendar month last day of the~~ reflected ~~in the financial performance representation time period.~~

~~(3) — Total Members is the total number of members that the Sparkle Salon had at the end of the calendar month reflected in the financial performance representation.~~

~~(4) — The financial performance representation above reflects historical Net Sales, New Members, and Total Members for one (1) Sparkle Salon in Gilbert, Arizona during its first three (3) months of operation beginning in October 2023 and ending on December 31, 2023, the Grand Opening period.~~

(3) The included Sparkle Salons are not the same size. The SanTan Village Sparkle Salon has 4 tables/tubs while the Scottsdale/Shea Sparkle Salon has 6-8 tables/tubs.

(4) The Grand Opening Period reflects the first 3 months that each Sparkle Salon was open for business. They do not reflect the same 3 calendar months.’

(5) ~~(5) — The Affiliate-owned Sparkle Salon~~ The Sparkle Salons included in this financial performance representation ~~is~~ are the only Sparkle Salons in operation ~~for at least 12 months~~ at the time that this financial performance representation is made.

~~(6)~~  
(6) Written substantiation for the representation will be made available to the prospective franchisee upon your reasonable request.

(7) ~~— One~~ These Sparkle Salons ~~has~~ have generated the above results. Your individual results may differ. There is no assurance that you'll sell ~~or earn as much as much.~~

**TOTAL VISITS, TOTAL MEMBERS, AND NET SALES FOR ONE (1) AFFILIATE OWNED  
SPARKLE SALON IN GILBERT, ARIZONA FOR CALENDAR YEAR 2024**

|               | <u>Month</u> |            |            |            |            |            |            |            |            |            |            |            |              |
|---------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| <u>Metric</u> | <u>Jan</u>   | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <u>Jul</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | <u>Total</u> |
| Total Visits  | 612          | 636        | 740        | 721        | 739        | 778        | 860        | 845        | 840        | 948        | 975        | 1072       | 9,766        |

|                      |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                  |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <u>Total Members</u> | <u>416</u>      | <u>468</u>      | <u>516</u>      | <u>561</u>      | <u>601</u>      | <u>630</u>      | <u>658</u>      | <u>670</u>      | <u>672</u>      | <u>718</u>      | <u>750</u>      | <u>766</u>      | <u>766</u>       |
| <u>Net Sales</u>     | <u>\$31,783</u> | <u>\$35,943</u> | <u>\$42,402</u> | <u>\$44,575</u> | <u>\$43,668</u> | <u>\$49,572</u> | <u>\$54,129</u> | <u>\$54,313</u> | <u>\$52,712</u> | <u>\$59,374</u> | <u>\$59,187</u> | <u>\$63,619</u> | <u>\$591,276</u> |

- (1) Total Visits means the total number of visits for services by members and non-members during the reflected time period.
- (2) Total Members means the total number of active membership agreements for the applicable Sparkle Salon as of the last day of the reflected time period.
- (3) The Sparkle Salon included in this financial performance representation is the only Sparkle Salon that was opened for all of 2024. There is one (1) Sparkle Salon that opened in 2024 that is not included in this financial performance representation.
- (4) Written substantiation for the representation will be made available to the prospective franchisee upon your reasonable request.
- (5) **These Sparkle Salons have generated the above results. Your individual results may differ. There is no assurance that you'll sell as much.**

Other than the above financial performance representations, Sparkle Franchising LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting ~~Ben Crawford~~ Joe Aepli, Sparkle Franchising LLC, 4250 N Drinkwater Blvd, Suite 165, Scottsdale, AZ 85251, [hello@sparkledogcare.com](mailto:hello@sparkledogcare.com), (480) 550-8159, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2021~~2~~ TO 2023~~4~~**

| Outlet Type   | Year              | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|-------------------|----------------------------------|--------------------------------|------------|
| Franchisee    | 2021 <del>2</del> | 0                                | 0                              | 0          |
|               | 2022 <del>3</del> | 0                                | 0                              | 0          |
|               | 2023 <del>4</del> | 0                                | 0                              | 0          |
| Company Owned | 2021 <del>2</del> | 0                                | 0                              | 0          |
|               | 2022              | 0                                | 0                              | 0          |
|               | 2023              | 0                                | 1*                             | +1         |
|               | 2024              | 1                                | 1                              | 0          |
| Total Outlets | 2021 <del>2</del> | 0                                | 0                              | 0          |
|               | 2022              | 0                                | 0                              | 0          |
|               | 2023              | 0                                | 1                              | +1         |
|               | 2024              | 1                                | 1                              | 0          |

\* The Company Owned outlet referenced above is operated by an affiliate of Franchisor.

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) -FOR YEARS 2021~~2~~ TO 2023~~4~~**

| State      | Year              | Number of Transfers |
|------------|-------------------|---------------------|
| All States | 2021 <del>2</del> | 0                   |
|            | 2022              | 0                   |
|            | 2023              | 0                   |
|            | 2024              | 0                   |

**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021~~2~~ TO 2023~~4~~**

| State      | Year              | Outlets at Start of Year | Outlets Opened | Termination | Non-Renewals | Reacquired by Franchisor | Ceased Operations Other Reasons | Outlets at End of the Year |
|------------|-------------------|--------------------------|----------------|-------------|--------------|--------------------------|---------------------------------|----------------------------|
| All States | 2021 <del>2</del> | 0                        | 0              | 0           | 0            | 0                        | 0                               | 0                          |
|            | 2022 <del>3</del> | 0                        | 0              | 0           | 0            | 0                        | 0                               | 0                          |
|            | 2023 <del>4</del> | 0                        | 0              | 0           | 0            | 0                        | 0                               | 0                          |

**TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021~~2~~ TO 2023~~3~~4**

| State                 | Year              | Outlets at Start of Year | Outlets Opened | Outlets Re-Acquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|-----------------------|-------------------|--------------------------|----------------|--------------------------------------|----------------|-----------------------------|----------------------------|
| <del>Arizona</del>    | 2021              | 0                        | 0              | 0                                    | 0              | 0                           | 0                          |
| <u>Arizona</u>        | 2022              | 0                        | 0              | 0                                    | 0              | 0                           | 0                          |
|                       | 2023              | 0                        | 1              | 0                                    | 0              | 0                           | 1                          |
| <del>All States</del> | 2021 <del>4</del> | <del>0</del> <u>1</u>    | 0              | 0                                    | 0              | 0                           | <del>0</del> <u>1</u>      |
| <u>Total</u>          | 2022              | 0                        | 0              | 0                                    | 0              | 0                           | 0                          |
|                       | 2023              | 0                        | 1              | 0                                    | 0              | 0                           | 1                          |
|                       | <u>2024</u>       | <u>1</u>                 | <u>0</u>       | <u>0</u>                             | <u>0</u>       | <u>0</u>                    | <u>1</u>                   |

**TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023~~3~~4**

| State                        | Franchise Agreements Signed but Outlet Not Open | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|------------------------------|-------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| Arizona                      | <del>0</del> <u>5</u>                           | <del>1</del> <u>3</u>                                    | 0                                                           |
| <u>Colorado</u>              | <u>1</u>                                        | <u>1</u>                                                 | <u>0</u>                                                    |
| Florida                      | <del>0</del> <u>1</u>                           | 1                                                        | 0                                                           |
| <u>Georgia</u>               | <u>1</u>                                        | <u>1</u>                                                 | <u>0</u>                                                    |
| <u>Ohio</u>                  | <u>1</u>                                        | <u>1</u>                                                 | <u>0</u>                                                    |
| <u>Oklahoma</u>              | <u>1</u>                                        | <u>1</u>                                                 | <u>0</u>                                                    |
| <del>Texas</del> <u>Utah</u> | <del>0</del> <u>1</u>                           | 1                                                        | 0                                                           |
| Total                        | <del>0</del> <u>11</u>                          | <del>3</del> <u>9</u>                                    | 0                                                           |

**Notes:**

- (1) **Exhibit F** lists the names of all of our Franchisees and their addresses and telephone numbers ~~as of December 31, 2023.~~ There are several franchisees listed on Exhibit F that opened in the first quarter of 2025 and are not reflected in the Item 20 charts.
- (2) ~~Exhibit F~~ **Exhibit F** lists the Franchisees who have signed Franchise Agreements for outlets which were not yet operational as of December 31, 2023~~4~~, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every Franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

- (3) There are no franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year; or that have not communicated with the Franchisor within 10 weeks of the disclosure document issuance date.

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

~~If you are purchasing a company-owned outlet from one of our affiliates that was previously owned by a franchisee but is now owned and operated by our affiliate, or us we will provide you with an addendum to this Disclosure Document disclosing additional information for that outlet.~~

- (4) During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.
- (5) There are no trademark-specific franchisee organizations associated with the franchise system being offered under this Disclosure Document that have been created, sponsored, or endorsed by us.

~~There are no franchises as of 12/31/2023.~~

## ITEM 21 FINANCIAL STATEMENTS

The Franchisor has not been in business ~~long enough to provide~~ for three years or more and cannot include all the financial statements ~~generally~~ required by this ~~Item~~ Rule for its last three fiscal years. Attached as Exhibit D ~~is~~ are audited financial statements for the fiscal year ending December 31, 2024 dated April 29, 2025 and an audited opening balance sheet for Sparkle Grooming Franchising LLC dated January 31, 2024. The Franchisor's fiscal year end is December 31.

## ITEM 22 CONTRACTS

Attached are copies of the following agreements relating to the offer of the franchise:

**B — FRANCHISE AGREEMENT**  
**D — FINANCIAL STATEMENTS OF FRANCHISOR**  
**E — CONFIDENTIALITY AGREEMENT**  
**H — FORM OF GENERAL RELEASE AGREEMENT**  
**I — DEVELOPMENT AGREEMENT**

## ITEM 23 RECEIPT

~~Two copies of an acknowledgment of~~ Exhibit K includes Receipts acknowledging that your receipt ~~of~~ this Disclosure Document ~~appear at the end of the Disclosure Document~~. Please return one ~~signed copy to us~~ Receipt to Sparkle Franchising, LLC and retain the other for your records. If you are missing these Receipts, please contact us at this address or telephone number:

Sparkle Franchising LLC  
4250 N Drinkwater Blvd, Suite 165  
Scottsdale, AZ 85251  
Telephone: (480) 550-8159  
Lyle Myers, Chief Development Officer  
hello@sparkledogcare.com

.



**EXHIBIT A**  
**STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

Federal Franchise Regulators:  
Federal Trade Commission  
Division of Marketing Practices  
Seventh and Pennsylvania Avenues, N.W., Room 238  
Washington, DC 20580  
202-326-2970

**CALIFORNIA:**

Department of Financial Protection  
and Innovation  
1-866-275-2677

**Los Angeles**

320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344  
(213) 576-7500

**Sacramento**

2101 Arena Blvd.  
Sacramento, CA 95834  
(916) 445-7205

**San Diego**

1350 Front Street, Room 2034  
San Diego, CA 92101-3697  
(619) 525-4233

**San Francisco**

One Sansome Street, Suite 600  
San Francisco, CA 94104  
(415) 972-8559

**CONNECTICUT**

The Banking Commissioner,  
The Department of Banking,  
Securities and Business Investment  
Division  
260 Constitution Plaza  
Hartford, CT 06103-1800

**HAWAII:**

Commissioner of Securities,,  
Department of Commerce and  
Consumer Affairs, Business  
Registration Division Securities  
Compliance Branch, 335 Merchant  
Street, Room 203, Honolulu, Hawaii  
96813, (808) 586-2722

**ILLINOIS:**

Illinois Attorney General  
500 South Second Street,  
Springfield, IL 62706, (217) 782-  
4465

**List of State Administrators**

**INDIANA:**

Securities Commissioner, Securities  
Division, Room E-111, 302 West  
Washington Street, Indianapolis, IN  
46204, (317) 232-6681

**MARYLAND:**

Office of the Attorney General, Division  
of Securities, 200 St. Paul Place,  
Baltimore, MD 21202-2021  
(410) 576-6360

**MICHIGAN:**

Kathryn Barron  
Franchise Administrator Antitrust and  
Franchise Unit, Consumer Protection  
Division, Department of Attorney  
General  
670 Law Building, 525 W. Ottawa  
Street, Lansing, MI 48913  
(517) 373-7117

**MINNESOTA:**

Commissioner, Department of  
Commerce, 85 7th Place East, Suite  
#280, St. Paul, MN 55101  
(651) 539-1600

**NEW YORK:**

NYS Department of Law, Investor  
Protection Bureau, 28 Liberty Street,  
21st Fl, New York, NY 10005  
212-416-8222

**NORTH DAKOTA:**

North Dakota Securities Department  
State Capitol, ~~5th Floor~~, 600 East  
Boulevard Avenue, [14th Floor Dept 414](#),  
Bismarck, ND 58505-0510, (701) 328-  
~~2910~~[4712](#)

**OREGON:**

Div. of Finance & Corp. Securities  
(608) 266-8557  
Department of Consumer & Business  
Services, Room 410, 350 Winter Street,  
NE, Salem, OR 97301-3881  
(503) 378-4140

**RHODE ISLAND:**

Department of Business  
Regulation Securities Division,  
Bldg. 69, First Floor, John O.  
Pasture Center, 1511 Pontiac  
Avenue, Cranston, Rhode Island  
02920  
(401) 462-9585

**SOUTH DAKOTA:**

Franchise Administrator  
Division of Insurance, Securities  
Regulation, 124 South Euclid,  
Suite 104, Pierre, SD 57501  
(605) 773-3563

**VIRGINIA:**

State Corporation Commission  
Division of Securities & Retail  
Franchising, 1300 East Main  
Street, 9th Floor, Richmond, VA  
23219  
(804) 371-9051

**WASHINGTON:**

Securities Division, Department  
of Financial Institutions, ~~150~~  
~~Israel Road, SW, Tumwater~~  
[P.O. Box 41200, Olympia](#), WA  
98501-~~14~~[1200](#)  
(360) 902-8760

**WISCONSIN:**

Division of Securities, Bureau of  
Regulation & Enforcement  
Department of Financial  
Institutions, 4th Floor, 345 W.  
Washington Avenue, Madison,  
WI 5370

## List of Agents for Service of Process

### ARIZONA

United Corporate Services, Inc.  
7226 E Maverick Rd,  
Scottsdale, AZ 85258

### CALIFORNIA

Commissioner of Financial  
Protection and Innovation  
Department of Financial Protection  
and Innovation, 2101 Arena Blvd.,  
Sacramento, CA 95834

### HAWAII

Commissioner of Securities  
Department of Commerce and  
Consumer Affairs, Business  
Registration Division, Securities  
Compliance Branch, 335 Merchant  
Street, Room 203, Honolulu,  
Hawaii 96813

### ILLINOIS

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

### INDIANA

Securities Commissioner, Indiana  
Secretary of State, 201 State  
House, Indianapolis, IN 46204

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Way, Lansing, MI 48910

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St. Paul, MN 55101  
651-539-1600

### NEW YORK

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NY 12231-0001

### NORTH DAKOTA

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600 East Boulevard Avenue, [14  
Floor Dept 414](#), Bismarck, ND  
58505

### RHODE ISLAND

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Euclid Suite 104, Pierre, SD 57501  
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### VIRGINIA

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### WASHINGTON

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Department of Financial  
Institutions, 150 Israel Road, SW  
Tumwater, WA 98501

### WISCONSIN

Wisconsin Commissioner of  
Securities, Department of Financial  
Institutions, 4th Floor, 345 W.  
Washington Avenue, Madison, WI  
53703

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT BY AND BETWEEN**

**SPARKLE FRANCHISING LLC, AN ARIZONA LIMITED LIABILITY COMPANY**

**AND**

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**DATED**

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## **EXHIBITS TO FRANCHISE AGREEMENT**

- Exhibit 1 – Franchise Information
- Exhibit 2- Owner’s Guaranty And Assumption Of Obligations
- Exhibit 3- Rider To Lease
- Exhibit 4- Ownership Interests In Franchisee
- Exhibit 5 - Franchisee Compliance Questionnaire
- Exhibit 6 - Eft Authorization Form
- Exhibit 7- State-Specific Addenda

## FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** ("Agreement") is made and entered into as of \_\_\_\_\_ ("Effective Date") by and between **Sparkle Franchising LLC**, an Arizona limited liability company ("Sparkle Franchising," "Franchisor" "we," "us," or "our"), and \_\_\_\_\_, a \_\_\_\_\_ ("you" or "your" or "Franchisee").

### 1. PREAMBLES.

1.1 We and our affiliates have invested considerable time, effort, and money to develop a unique system ("System") for the operation of a business under the name "Sparkle" that offers unique dog grooming and routine hygiene services and related products in a safe, clean, and friendly environment (each a "Sparkle Salon" or a "Salon" or a "Franchised Business").

1.2 The distinguishing characteristics of the System include, without limitation, our interior and exterior design, special décor elements, layout, furnishings, fixtures, color schemes, display units, graphics and designs, signs, quality of equipment and inventory; procedures for operations; proprietary computer software; proprietary skincare products, quality and uniformity of services and products offered, staff and customer recruitment and retention programs, local, regional and national events, procedures for management training and assistance, advertising and promotional programs, and business formats, methods, procedures, designs, layouts, standards, and specifications, which we may change, improve and further develop from time to time.

1.3 We identify the System by the "Sparkle" name and mark and certain other names, ~~marks,~~ logos, insignias, slogans, emblems, symbols, and designs (~~collectively, "Marks"~~), which we have designated, or may in the future designate, for use with the System (collectively the "Marks"). The Marks are owned by our parent, Sparkle Grooming Corp. ("Sparkle Grooming Corp.") and licensed to us for use by Franchisee and other franchisees pursuant to this Agreement and other franchise agreements.

1.4 You would like to obtain a license to use the System and the Marks and to operate a franchised Sparkle Salon at the location specified in Exhibit 1 ("Premises"), subject to the terms and conditions of this Agreement and in strict compliance with the high and uniform standards of quality, operations and service established by us for the System ("System Standards").

1.5 You acknowledge the importance of the System Standards and the necessity of developing and operating your Sparkle Salon in strict conformity with this Agreement, the System Standards, and the Sparkle confidential operations manual ("Manual").

1.6 We are willing to grant to you the opportunity to develop and operate a Sparkle Salon at the Premises subject to the terms and conditions of this Agreement.

### 2. GRANT OF FRANCHISE.

2.1 Grant. Subject to the terms of this Agreement, we grant you a license ("Franchise") to operate a Sparkle Salon at the Premises and to use the System and Marks in the operation of a Sparkle Salon. If you have not identified and received our approval of the Premises before you sign this Agreement, the Premises will be identified and included on Exhibit 1 as described in Section 5.

2.2 Relocation. You may not operate your Sparkle Salon at any site other than the Premises and you may not relocate your Sparkle Salon without our prior written consent, which may be withheld by

us in our sole discretion. We have the right to charge you for all reasonable expenses that we incur in considering your request to relocate your Sparkle Salon.

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

2.4 Best Efforts. You agree at all times to perform your obligations under this Agreement faithfully, honestly, and diligently, to use your best reasonable efforts to promote your Sparkle Salon and the System, and to operate your Sparkle Salon in accordance with our System Standards.

### 3. FRANCHISE RIGHTS.

3.1 Your Protected Territory. Except as limited by Section 3.4 below, and provided that you are in full compliance with this Agreement, we and our affiliates will not operate, or license others to operate Sparkle Salons in the geographic area identified and describe in Exhibit 1 as your Protected Territory during the Initial Term and any Successor Term of this Agreement. If no site has been designated at the time you sign the Franchise Agreement, you will, with the assistance of an Approved Supplier of real estate site selection services, select the site from within the Site Selection Area that we identify in Exhibit 1 to your Franchise Agreement (the "Premises"). During the Site Approval Period (as defined in Section 5.1(b)), you must obtain our approval of a site for your Sparkle Salon and execute a Lease or purchase agreement for the approved site or, we, at our option, may terminate this Agreement. We have the right to move or modify the Site Selection Area during the Site Approval Period. The Site Selection Area will be determined on a case-by-case basis considering economic, demographic, and geographic information (such as population density) as well as existing site selection areas and/or Protected Territories given to other franchisees. Provided that you are in full compliance with the Franchise Agreement, we and our affiliates will not operate, or license others to operate, Sparkle Salons in the Site Selection Area during the Site Approval Period.

3.2 Once we have approved the Premises, you will have the right to operate a Sparkle Salon at the Premises. If you comply with the Franchise Agreement, we will not, during the term of the Franchise Agreement, operate, or license others to operate, a Sparkle Salon within a three (3) mile radius of the front door of your Sparkle Salon (the "Protected Territory"). Notwithstanding the Protected Territory defined above, in certain high-density population areas ("High-Density Areas"), the Protected Territory may be materially less. Once established, the Protected Territory will not be changed.

3.3 Applicability to Existing Salons. The restrictions contained in this Section 3 do not apply to Sparkle Salons under construction or in operation in the Site Selection Area (as defined by Section 5.1) or Protected Territory as of the date of this Agreement. If the Premises have not been approved in writing by us as of the Effective Date, your Protected Territory will be determined by us after you execute a lease agreement for your Sparkle Salon (the "Lease"); or otherwise secure the Premises in a manner approved by us, and at such time, the Protected Territory will be attached to and incorporated into Exhibit 1.

3.4 Rights We Reserve. Except as expressly granted to you in Section 3, we and our affiliates retain all rights with respect to Sparkle Salons, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to the right to: (1) operate (and license others to operate) any type of business other than a Sparkle Salon branded business at any location inside or outside the Protected Territory; (2) provide, offer, and sell (and license others to provide, offer and sell) products that are identical or similar to and/or



competitive with those provided at or from Sparkle Salons, whether identified by the Marks ~~or other trademarks or service marks~~, through dissimilar distribution channels (including, without limitation, the Internet, mobile applications, or similar electronic media) both inside and outside the Protected Territory; (3) operate (and license others to operate) Sparkle Salons located anywhere outside the Protected Territory regardless of proximity to your Sparkle Salon; (4) acquire the assets and/or ownership interests of one or more Competing Businesses (as defined by Section 18.2(a) of this Agreement) and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Protected Territory); (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a competitor that operates Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Protected Territory; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Protected Territory. The rights granted to you in the Protected Territory do not limit the operation of Sparkle Salons that are under construction or in operation in the Protected Territory. We reserve all rights in the Site Selection Area that we reserve with respect to the Protected Territory.

#### 4. TERM.

4.1 Initial Term. The initial term of this Agreement ("Initial Term") and the Franchise granted by this Agreement will begin on the Effective Date and expire at midnight on the day preceding the 10th anniversary of the date your Sparkle Salon first opens for business unless this Agreement is terminated at an earlier date pursuant to Section 19. We will complete and forward to you a notice to memorialize the date your Sparkle Salon first opened for business.

4.2 Successor Terms. When ~~this Agreement~~ Initial Term (and each Successor Term) expires, you will have the option to request the right to remain a franchisee at the Premises for successor terms of five (5) years each (each a "Successor Term"). The qualifications and conditions for the Successor Term are described below:

(a) You must give us written notice of your election to remain a franchisee at the Sparkle Salon not less than 9 months, nor more than 12 months, before the end of the Initial Term or first Successor Term;

(b) You must pay us a Successor Franchise Fee equal to 25% of the then current initial franchise fee (the "Successor Franchise Fee");

(c) Neither you nor any of your affiliates are in default under this Agreement or any other agreements with us or our affiliates;

(d) You must have the right to remain in possession of the Premises (or, another location acceptable to us) for the Successor Term;

(e) You must renovate and update your Sparkle Salon to reflect the then-current image of Sparkle Salons;

(f) You must correct any existing deficiencies of your Sparkle Salon or in your operation of your Sparkle Salon and satisfy our then-current System Standards including adding any new products or services that are then being offered in the System, meet our qualifications for new franchisees, and complete any additional certification and training requirements that apply to you, your Operating

Principal, your General Manager, managerial and training personnel, and/or your staff (which may involve the payment of training fees);

(g) You must sign, and your owners and all guarantors of your obligations under this Agreement must personally guarantee, our standard form of Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered, if we are not then offering to new franchisees); and

(h) You, and your owners and guarantors of your obligations under this Agreement must sign a general release (substantially similar to the form attached hereto as Exhibit E to the FDD) releasing any and all claims against us, and our affiliates, owners, officers, directors, agents, and employees.

## 5. DEVELOPMENT PROCEDURES.

### 5.1 Site Selection.

(a) This Section 5 will not be applicable if the Premises have been approved in writing by us as of the Effective Date.

(b) If the Premises has not been designated as of the Effective Date, you will select a location from within an area that we identify in Exhibit 1 ("Site Selection Area"). Within 90 days after the Effective Date ("Site Approval Period"), you must obtain our written consent of a location in the Site Selection Area and execute a Lease (or otherwise secure) for that approved location for your Sparkle Salon. We, in our sole discretion, reserve the right to move or modify the Site Selection Area. Provided that you are in full compliance with this Agreement, we and our affiliates will not operate, or license others to operate, Sparkle Salons in the Site Selection Area during the Site Approval Period. We reserve all rights in the Site Selection Area that we reserve in the Protected Territory, as described in Section 3.4. The restrictions on our development or operation of Sparkle Salons in the Site Selection Area contained in this Section 5.1 shall not apply to Sparkle Salons under construction or in operation in the Site Selection Area as of the Effective Date of this Agreement.

(c) You will retain an Approved Supplier of real estate site selection services to assist you in identifying a location for your Sparkle Salon in the Site Selection Area. Generally, the property owner of the selected location will pay all fees due and payable to the Designated Supplier of real estate site selection services.

(d) You assume all cost, liability, and expense for locating, securing, and developing a Premises for your Sparkle Salon and constructing and equipping your Sparkle Salon in accordance with our System Standards at an approved location. We will assist you in your site selection by providing you with access to our Designated Supplier of real estate services who is familiar with our site selection guidelines and criteria and who will assist in locating a Premises for your Sparkle Salon. You must obtain our written consent of the location before you make any binding commitments related to the site. If you have not presented to us an approvable site during the Site Approval Period, we may, in our sole discretion, terminate this Agreement pursuant to Section 19.

(e) Once you have identified a potential site, you must submit to us, in the form that we specify, a completed site evaluation package which must include an "As-Built" AutoCAD floor plan copy of the existing site plan, photographs, demographic information, financial information, and such other information and materials as we may reasonably require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining an ownership or leasehold interest in the site.

(f) Within 30 days after we receive the detailed site evaluation package, we, in our sole discretion, may conduct an on-site evaluation of the proposed site. You must reimburse us for all travel, living and other expenses we incur in conducting any on-site evaluations of your proposed site. We do not charge a site evaluation fee for the first on-site evaluation that we conduct with respect to your Sparkle Salon, however, if we require, or if you request, any additional on-site evaluations, you will pay to us, in addition to our travel expenses, our then-current site evaluation fee.

(g) We will use reasonable efforts to approve or disapprove the proposed site within 15 days after our receipt of your detailed site evaluation package if we do not conduct an on-site evaluation or, if we conduct an on-site evaluation, within 30 days after the on-site evaluation. If we do not approve the proposed site in writing in this time period, we will be deemed to have ~~rejected~~disapproved of the site. Our approval or ~~rejection~~disapproval of a site may be subject to reasonable conditions as we determine in our sole discretion. Upon our approval of a site, and after you secure the site, we will insert its address into Exhibit 1, and it will be the Premises.

(h) You are responsible for selecting the site for your Sparkle Salon. You acknowledge and agree that, our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the site's suitability for a Sparkle Salon or any other purpose. Our approval indicates only that we believe that the site meets our then-current site selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we approve of fails to meet your expectations. ~~You acknowledge and agree that: (a) your submission of a proposed site for our acceptance is based on your own independent investigation of the site's suitability for your Sparkle Salon; and (b) Our site-selection assistance is primarily for our benefit to assure us that we will have a minimally acceptable site upon the expiration or termination of this Agreement and is not intended to be a representation or warranty regarding the likelihood of success at that site.~~

(i) Once you select a Premises for your Sparkle Salon, your rights with respect to the Site Selection Area shall terminate and your rights shall be limited to the Protected Territory.

## 5.2 Lease of Premises.

(a) If you propose to lease or sublease the Premises for your Sparkle Salon, you must provide us with a copy of the Lease for the Premises (for a term, including renewal terms, for at least the Initial Term) no less than 10 days before you intend to execute the Lease for your Sparkle Salon. The Lease must not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. Unless waived in writing by us, any Lease must contain provisions that satisfy the following requirements during the entire term of the Lease, including any renewal terms:

(i) The initial term of the Lease must be no less than ten (10) years.

(ii) The property owner ("Landlord") consents to your use of the proprietary signs and the Marks prescribed by us, and upon the expiration or earlier termination of the Lease, consents to permit you, at your expense, to remove all such items, so long as you make repairs to the Premises caused by such removal.

(iii) The Landlord agrees to provide us (at the same time sent to you) a copy of all amendments, assignments, and notices of default pertaining to the Lease and the Premises.

(iv) We will have the right to enter the Premises to make any modifications or alterations necessary to protect the System and the Marks, to cure, within the time periods provided by the Lease, any default under the Lease, all without being guilty of trespass or other tort, and to charge you for any related costs.

(v) The Landlord agrees that you will be solely responsible for all obligations, debts, and payments under the Lease.

(vi) The Landlord agrees that, following the expiration or earlier termination of this Agreement, you will have the right to make those alterations and modifications to the Premises as may be necessary to clearly distinguish to the public the Premises from a Sparkle Salon and also make those specific additional changes as we reasonably may request for that purpose. The Landlord also agrees that, if you fail to make these alterations and modifications within 10 days after the expiration or earlier termination of this Agreement, we will have the right to do so without being guilty of trespass or other tort so long as we make repairs to the Premises caused by such removal.

(vii) You and Landlord enter into to our form of Lease Rider (attached to this Agreement as Exhibit 3), which among other things grant us the option but not the obligation to assume the Lease if we terminate the Franchise Agreement or you are in default of the Lease, without payment of any assignment fee or similar charge or increase in any rentals payable to the Landlord.

(viii) The Landlord agrees not to amend or otherwise modify the Lease in any manner that would affect any of the foregoing requirements without our prior written consent, which consent will not be unreasonably withheld.

(b) ~~You acknowledge that o~~Our review of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Sparkle Salon operated at the Premises. Our review will indicate only whether we believe that the terms of the Lease meet our then-acceptable criteria.

## 6. CONSTRUCTION OF YOUR SPARKLE SALON.

### 6.1 Construction Plans.

(a) You are responsible for developing and constructing your Sparkle Salon. We will provide you with mandatory and suggested specifications and layouts for a Sparkle Salon, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, furnishings, and color scheme. We may also provide you with suggested architectural drawings. You acknowledge that the layouts and drawings are proprietary to us. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the Premises and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions.

(b) You must retain an approved architect to develop construction drawings of your Sparkle Salon (you may opt to retain our approved design architect to continue with the full set of construction drawings). Required stamped drawings include architectural, mechanical, plumbing, and electrical plans. In addition, you must obtain structural and fire protection, and any other plans as may be required by your state and local agencies.

(c) You agree to send to us, upon our request, construction plans and specifications or other plans for our review before you begin constructing your Sparkle Salon and all revised or “as built” plans and specifications during construction. We may require you to use an approved or designated architect and/or general contractor to design and construct your Sparkle Salon. We may inspect the Premises while you are developing your Sparkle Salon.

6.2 Development of your Sparkle Salon. You agree to do the following, at your own expense, to develop your Sparkle Salon at the Premises:

- (a) secure all financing required to develop and operate your Sparkle Salon;
- (b) procure insurance coverage for your activities under this Agreement as required by Section 12.9 of this Agreement and the Manual;
- (c) obtain all required building, utility, sign, health, sanitation, occupancy, business, and other permits and licenses;
- (d) construct all required improvements to the Premises and furnish and decorate your Sparkle Salon according to our approved plans and specifications;
- (e) obtain all customary contractors’ sworn statements and partial and final waivers of liens for construction, remodeling, decorating, and installation services;
- (f) purchase or lease from Designated Suppliers and Approved Suppliers, and install, all required fixtures, furniture, equipment, and interior and exterior signs; and
- (g) purchase from Designated Suppliers and Approved Suppliers an opening inventory of authorized and approved products, materials, and supplies necessary to commence operations at your Sparkle Salon.
- (h) If you build any portion of your Sparkle Salon outside of our specifications without receiving our prior written consent, we will have the right to delay the opening of your Sparkle Salon until you, at your sole expense, bring the development of your Sparkle Salon within full compliance with of our specifications.
- (i) Salon Systems. Prior to opening your Sparkle Salon, you must purchase and install our required computer, router, network, hardware, and associated software including required appointment and accounting software (the “Salon Systems”). You must also pay us a Technology Start Up Fee. The Technology Start Up Fee may be changed by us or the provider upon written notice to you.

6.2 Opening your Sparkle Salon. You agree to open your Sparkle Salon no later than 12 months after the Effective Date of this Agreement.

6.3 Pre-Opening Conditions. We will not authorize the opening of your Sparkle Salon unless all of the following conditions have been met:

- (a) We are satisfied that your Sparkle Salon was constructed and/or renovated and equipped substantially in accordance with our standards and specifications;
- (b) You have hired and trained a staff as required by Section 11.2;

(c) You have received a Certificate of Occupancy and all required state and local government certifications, permits, and licenses necessary for the operation of a Sparkle Salon, including licenses and certifications for your staff and other personnel;

(d) You (or your Operating Principal as defined in Section 14.4), your General Manager, and your training personnel (if any) have satisfactorily completed and become certified in our Initial Training Program;

(e) You have paid the Initial Franchise Fee (as defined in Section 7.1) and any other amounts then due to us;

(f) You have signed all agreements required prior to opening, including, but not limited to, the Lease, the electronic funds transfer documents described in Section 7.13, and any software license agreement(s);

(g) You have complied with our requirements for the Grand Opening Plan as described in Section 9.1;

(h) Neither you nor any of your affiliates are in default under or in violation of any agreements with us, any of our affiliates or any suppliers; and

(i) You have provided ~~to us~~ with copies of certificates for all insurance policies required by Section 12.9 or such other evidence of insurance coverage and payment of premiums as we reasonably may request.

## 7. FEES.

7.1 Initial Franchise Fee. At the same time that you sign this Agreement, you must pay us an initial franchise fee of \$39,000 ("Initial Franchise Fee"). The Initial Franchise Fee for your second and each subsequent Sparkle Salon will be \$29,000. If you are a veteran of the armed forces of the United States and were honorably discharged from military service, you will receive a \$10,000 discount off the Initial Franchise Fee for each Initial Franchise Fee that you pay to us. This fee is due, and fully earned by us, when you sign this Agreement. The Initial Franchise Fee is not refundable.

7.2 Ongoing Royalties. You agree to pay to us, in the manner provided below (or as the Manual otherwise prescribes), a nonrefundable and continuing Royalties ("Royalties") in the amount of seven percent (7%) of the Net Sales of your Sparkle Salon for the right to use the System and the Marks. ~~We will retain the Royalties from the Net Sales that we collect on your behalf prior to our weekly payment of your Franchise Commission to you.~~

7.3 Technology Fee. You agree to pay us, in the manner provided below (or as the Manual otherwise prescribes), a nonrefundable and continuing Technology Fee ("Technology Fee"). The Technology Fee provides you with access, maintenance, and support for required software, applications, e-mail service, music, integrations, collaboration, intranet, and other technology services that we determine, in our sole discretion, to provide to you. A list of all services you will receive in connection with your Technology Fee is included with the Manual. Currently, the Technology Fee is \$750 per month. We may increase the Technology Fee upon thirty (30) days written notice to you.

7.4 Alternative Suppliers. If you propose to purchase any goods or materials (that you are not required to purchase from us, an affiliate of ours, or an Approved Supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval or request the supplier



do so. We may require, as a condition of our approval, that our representative be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as we reasonably designate be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to granting approval. You will be required to pay us the costs that we incur in testing the proposed new goods or materials or inspecting the proposed alternative supplier.

7.5 Management Fee. You will pay us a management fee ("Management Fee") if we are obligated, directly or indirectly, to manage your Salon. The Management Fee is in addition to and not in replacement of any other fees that you are obligated to pay us. The current Management Fee we charge you is the greater of (i) two times the salary paid to the individual(s) assigned by us to operate the Salon, or (ii) 10% of the Salon's bi-monthly Gross Sales; plus, expenses for travel, lodging, meals, and all other expenses that we incur in managing your Salon. The Management Fee is payable during any period that our appointed manager manages your Salon. The Management Fee will be in addition to the Royalties and Brand Fund Contributions due to us. We will deduct the Management Fee from Net Sales prior to our payment of your Franchise Commission. We may increase the Management Fee upon thirty (30) days written notice to you.

7.6 Termination Fee. You must pay us a termination fee equal to 50% of then-current initial franchise fee, plus our attorney's fees and costs if you improperly attempt to terminate your Franchise Agreement or close your Salon before your term expires, or we terminate your Franchise Agreement for any reason set forth in the Franchise Agreement. We may also recover from you any damages suffered by us (e.g., lost future revenues) resulting from your improper or wrongful termination of the franchise. Termination fees may be unenforceable in certain states.

7.7 Gross Sales. "Gross Sales" means the aggregate amount of all revenues generated from the sale or delivery of products and services at or from the Salon, and all other income of every kind related to the Salon, whether for cash, credit (and regardless of collection in the case of credit), barter, exchange, or other form of consideration including but not limited to membership fees, service fees, product sales, business interruption insurance, and all amounts that you receive at or away from the Premises.

7.8 Net Sales. ~~"Net Sales" means Gross Sales minus: (i) the amount of any documented refunds provided to customers in good faith; and (ii) any tips received by your employees.~~ "Net Sales" means the total of all revenue and receipts derived from the operation of the Salon, including all amounts received at or away from the Salon, or through the business the Salon conducts (such as fees for Services, fees for the sale of products, gift card sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and customer refunds.

7.9 Advertising Contributions and Expenses. You also will spend and/or contribute for advertising the amount we specify. The exact amount of the Brand Fund contribution and Local Store Marketing expenditures you are required to make and/or are set forth in Section 9.

7.10 Late Report Fee. We may charge a late report fee of \$250 for each week following the due date that you do not submit any report to us that is required by Section 8. The amount of the Late Report Fee may be changed upon written notice to you.

7.11 Interest. All amounts which you owe us for any reason will bear interest accruing as of their original due date at 18% per annum or the highest commercial contract interest rate the law allows, whichever is less. We may electronically debit your business checking account automatically for any past-due amounts and interest. You acknowledge that this Section 7.10 is not an agreement to accept any payments after they are due or a commitment to extend credit to, or otherwise finance your operation of, your Sparkle Salon.



7.12 Partial Payments. No payment by you or acceptance by us of any monies under this Agreement for a lesser amount than due will be treated as anything other than a partial payment on account. Notwithstanding any designation by you, we will have sole discretion to apply any payments by you to any of your past-due indebtedness to us.

7.13 Method of Payment. All products and services sold at the Salon will be administered, recorded, and completed through the Salon Systems that Franchisor requires Franchisee to use in the operation of the Salon. Unless otherwise specified, all fees will be paid on a bi-monthly basis on the 3<sup>rd</sup> and 17<sup>th</sup> of each month (although we may modify the payment dates upon written notice to you). The requirements for payments under this Agreement will be set forth in the Manual. Franchisor reserves the right to modify the frequency or method of payment of the Royalties and Brand Fund Contribution upon thirty (30) days prior notice to Franchisee. If Franchisor exercises the foregoing right, Franchisee shall be required to comply with any reporting and payment systems or requirements that Franchisor establishes. If Franchisee fails to provide Franchisor with any necessary information or documentation with respect to payment and reporting systems, Franchisee must pay Franchisor a fee of \$250 per week that that failure continues.

7.14 Right of Offset. Franchisor shall have the right to offset any amount owed by Franchisee to Franchisor and/or its affiliates under or in connection with this Agreement against any payments owed by Franchisor to Franchisee under this Agreement or any related agreement. Such offsets shall be in addition to any other rights or remedies available under this Agreement and applicable law.

## 8. RECORDKEEPING AND REPORTS.

8.1 Recordkeeping. You must keep and maintain, in accordance with any procedures that we prescribe in the Manual or otherwise, complete, and accurate books and records pertaining to your Sparkle Salon sufficient to fully report to us. We reserve the right to require that you maintain a fiscal year different than the calendar year and one that is consistent with our fiscal year. You agree that we are authorized to use computerized data capture and retrieval systems that meet our specifications and that all data collected by our data capture and retrieval systems shall belong to us.

8.2 Reports and Financial Statements. You must, at your expense, submit to us, in the form prescribed by us, financial and operational reports and records at the times and in the manner specified in the Manual. You also must submit to us, in the form prescribed by us, a profit and loss statement and balance sheet for your Sparkle Salon within 60 days after the end of each fiscal year (as defined by us from time to time). You must sign each report attesting that it is true, correct, and complete and, with respect to the profit and loss statement, uses accounting principles applied on a consistent basis that accurately and completely reflect your financial condition. We may disclose data derived from your reports, however, upon receipt of a written request from you or if required by law, we will not disclose your identity in any materials that we circulate publicly. If, in our reasonable judgment, your reports are deficient in substance or presentation, we may require that you submit to us year-end financial statements prepared by an independent accountant and/or copies of your federal, state, and local income tax returns.

8.3 Public Filings. If you are or become a publicly-held entity in accordance with other provisions of this Agreement, you must, at your expense, submit to us copies of all reports (including responses to comment letters) or schedules that you may file with the U.S. Securities and Exchange Commission (certified by your chief executive officer to be true, correct, complete and accurate) and copies of any press releases you may issue, within 3 days of the filing of those reports or schedules or the issuance of those releases.

## 8.5 Our Right to Audit.

(a) We have the right at all reasonable times, both during and after the term of this Agreement, to inspect, copy, and audit your books, records, sales, and income tax records and returns, and such other forms, reports, information, and data as we reasonably may designate, applicable to the operation of your Sparkle Salon (an "Audit"). If an Audit discloses an understatement of Net Sales of your Sparkle Salon, you agree to pay to us, within 10 days after receiving the Audit report, the Royalties and Brand Fund contributions due on the amount of the understatement, plus any interest on the understated amounts from the date originally due until the date of payment. If an Audit discloses that you have not expended the greater the requires amount of your Net Sales on Local Store Marketing (which amount may be modified by us from time to time in accordance with Section 9.2), you shall contribute to the Brand Fund the amounts that you should have expended to reach the Local Store Marketing requirement within 30 days after completion of our Audit of your Sparkle Salon. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of your Royalties or Brand Fund contribution (when a percentage of Net Sales is required), that exceeds 2% of the amount that you actually reported to us for the period examined; then: (a) you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees; and (b) we may require you to provide us with periodic audited statements. If our examination reveals an understatement of the Net Sales of your Sparkle Salon for any period by 2% or more 3 or more times during any 3-year period, or by more than 5% on any one occasion, then in addition to your obligations in subsection (a) above, we may immediately terminate this Agreement without an opportunity to cure. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

(b) If you fail to give us, on a timely basis, the records, reports, and other information required by this Agreement or, upon our request, copies of the same, we or our designee will have access at all reasonable times (and as often as necessary) to your books and records (including those contained on the Salon Systems) for the purpose, among other things, of preparing the required records, reports and other information. You will promptly ~~will~~ reimburse us or our designee for all costs and expenses associated with our obtaining and/or preparing such records, reports, or other information.

## 9. MARKETING.

9.1 Grand Opening Plan. You must advertise and promote the Sparkle Salon during the 4-month period prior to opening the Salon ("Grand Opening Plan"). Your Grand Opening Plan expenditures must equal or exceed \$10,000 although we recommend that you spend more than the minimum amount (See Items 6 and 11 for more detailed information). You agree to comply with our guidelines for the Grand Opening Plan, based upon an agreed upon marketing plan, which you must follow as part of the marketing, advertising, and promotion of the Sparkle Salon ("Marketing Plan"). You must spend at least the amount that we specify for your Grand Opening Plan; however, you may spend more than the required amount. The Grand Opening Plan expenditure is in addition to the advertising contributions and expenditures that you must make pursuant to Sections 9.2 and 9.3(h) below. We may require you to pay the Grand Opening Plan expenditures directly to us to fund your Grant Opening Plan or to pay third party vendors directly.

9.2 Marketing Contributions and Expenditures . During the Term, you must (1) contribute to the Brand Fund pursuant to Section 9.2, (2) make Local Store Marketing expenditures pursuant to Section 9.3(h); and (3) contribute to the Regional Co-op pursuant to Section 9.5 if a Regional Co-op has been established in the Designated Market Area ("DMA") in which your Sparkle Salon is located. We have the right to periodically re-allocate and/or increase the amount you contribute to the Brand Fund and the amount you spend for Local Store Marketing.

### 9.3 Brand Fund.

(a) We have established an advertising and marketing fund (“Brand Fund”) for the enhancement and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs, and materials as we deem appropriate. We currently charge you a Brand Fund contribution equal to the greater of ~~three~~<sup>two</sup> percent (~~3~~<sup>2</sup>%) of Net Sales or \$300 (no less than \$600 per month) on a bi-monthly basis. The Brand Fund contribution is payable in the same manner as the Royalties. Sparkle Salons operated by us, and our affiliates also will contribute to the Brand Fund on the same basis as comparable franchisees. From time to time, we or our suppliers may deposit into the Brand Fund rebates or similar allowances paid to us by our suppliers although we have no obligation to do so. We will have sole discretion to use the Brand Fund, and the monies in the Brand Fund, for any purpose that we designate that we believe will enhance and protect the System and Marks and will improve and increase public recognition and perception of the System and Marks. We will direct all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation.

(b) We will account for the Brand Fund separately from our other funds; however, we are not required to segregate any Brand Fund monies from our other monies. We will not use the Brand Fund for any of our general operating expenses. We and our affiliates may be reimbursed by the Brand Fund for administrative expenses directly related to the Brand Fund’s marketing programs, including without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Brand Fund. We may use the Brand Fund to pay the administrative costs of the Brand Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the Brand Fund, and we may use the Brand Fund to pay the reasonable salaries and benefits of personnel (including our personnel and our affiliates’ personnel) who manage and administer the Brand Fund. We may use the Brand Fund to pay for other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Brand Fund and its programs.

(c) The Brand Fund will not be our asset. Although the Brand Fund is not a trust, we will hold all Brand Fund contributions for the benefit of the System and use contributions only for the purposes described in this Section 9.2. We do not owe any fiduciary obligation to you for administering the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Fund contributions to pay for the administrative costs of the Brand Fund before using the Brand Fund’s other assets.

(d) Upon your written request, we will prepare an annual, unaudited, statement of Brand Fund collections and expenses within 90 days after our fiscal year end. We may also, in our sole discretion, prepare such financial statements. We may have the Brand Fund audited annually, at the Brand Fund’s expense, by an independent certified public accountant. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 9.2.

(e) We intend to use the Brand Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although we may use the Brand Fund, or portions of the monies in the Brand Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all Sparkle Salons, we cannot and do not ensure that Brand Fund expenditures will be made in or affecting any geographic area, or will be proportionate or equivalent to Brand Fund contributions by Sparkle Salons operating in that geographic area. We do not guarantee or assure that you, your Sparkle Salon, or any Sparkle Salon will benefit directly or in proportion to your Brand Fund contribution from the brand

enhancement activities of the Brand Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

(f) We have the right, but not the obligation, to use collection agents and institute legal proceedings to collect Brand Fund contributions at the Brand Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to the Brand Fund. We have the sole right to enforce the obligations of franchisees who contribute to the Brand Fund, and neither you nor any other franchisees who contribute to the Brand Fund will be deemed a third party beneficiary with respect to the Brand Fund obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Brand Fund.

(g) We may at any time defer or reduce contributions of a Sparkle Salon franchisee to the Brand Fund and, upon 30 days prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, subsequently reinstate) the Brand Fund. If we terminate the Brand Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to our franchisees, and to us and our affiliates, in proportion to their, and our, respective Brand Fund contributions during the preceding 12-month period.

(h) You agree to participate in all advertising, marketing, promotions, research, and public relations programs instituted by the Brand Fund. Among the programs, concepts, and expenditures for which we may utilize the Brand Fund monies are: (i) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, and other advertising and promotional materials; (ii) creative development, preparation, production and placement of video, audio, written materials, and electronic media; (iii) search engine optimization, media placement and buying, including all associated expenses and fees; (iv) administering regional and multi-regional marketing and advertising programs; (v) market research and customer satisfaction surveys, including the use of secret shoppers; (vi) the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or nonprofit events; (vii) creative development of new program offerings for Sparkle Salons; (viii) creative development of signage, posters, and individual Sparkle Salon décor items including wall graphics; (ix) recognition and awards events and programs; (x) System recognition events, including periodic national and regional conventions and meetings; (xi) Website, internet, and/or intranet development and maintenance (in this Agreement, "website" means one or a group of world wide web pages and related application usually containing hyperlinks to each other and made available online by an individual, company, educational institution, government, or organization); (xii) development, implementation, and maintenance of the System website, application, and reservation system and/or related strategies; (xiii) retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; and (xiv) public relations and community involvement activities and programs.

#### 9.4 Local Store Marketing.

(a) You will develop, on a quarterly basis, a Local Store Marketing plan for the Sparkle Salon (the "Local Store Marketing Plan"). You must comply with all requirements of the Local Store Marketing Plan, including use of approved advertising and marketing materials, placement and purchase of advertising and marketing materials and media, participation in and use of approved online and social media networks and tools, and compliance with all promotional recommendations and guidelines. After opening your Sparkle Salon, in addition to your Brand Fund contribution, you must spend the greater of five percent (5%) of Net Sales per month or \$3,000 per month on your Local Store Marketing Plan throughout the ~~i~~Initial ~~t~~Term of your Franchise Agreement. You may expend additional amounts on Local

Store Marketing provided that such expenditures otherwise comply with the Local Store Marketing Plan. If there are other Sparkle Salons in your market area, we may require that you spend additional Local Store Marketing expenditures cooperatively with us and/or other franchisees in your market area.

(b) Your local marketing and promotion must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our Website's domain name in the manner we designate. We may specify third parties that you must use for the design and development of your local marketing and promotional materials, and you will be required to pay those third parties for their services. You may not develop, maintain, or authorize any Website that mentions or describes you or your Sparkle Salon or displays ~~any of~~ the Marks. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time.

(c) You may purchase local advertising and promotional materials from us, or any source approved by us. Periodically, we may provide you with samples of advertising, marketing, and promotional formats, and materials at no cost. If you purchase these materials from us, in addition to paying the invoice cost of the materials, you must pay for any related shipping, handling, and storage charges. If purchased from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and promotion promulgated from time to time by us and must be submitted to us or our designee at least 10 days prior to first use for approval (except with respect to prices to be charged by you), which we may grant or withhold in our sole discretion. If we do not approve your submission within 10 days after the day we received the materials, we will be deemed to have not approved of the materials.

(d) In no event will your advertising and promotional materials contain any statement or material which, in our sole discretion, may be considered: (a) in bad taste or offensive to the public or to any group of persons; (b) defamatory of any person or an attack on any competitor; (c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (d) inconsistent with our public image of that of the System. You acknowledge and agree that any and all copyright in and to advertising and promotional materials developed by you or on your behalf will be our sole property, and you must execute such documents (and, if necessary, require your independent contractors to execute such documents) as may be deemed reasonably necessary by us to give effect to this provision.

(e) You must actively participate in all marketing and advertising programs designated by Us or the Brand Fund including social media programs (e.g., Google Places, Facebook, Twitter ("X"), TikTok, and Instagram) and comply with all guidelines set forth by us regarding the use of these programs as set forth in the Manual.

9.5 Regional Co-op. We may, in our sole discretion, establish a regional advertising cooperative ("Regional Co-op") in any DMA. The Regional Co-op shall be organized and governed in a form and manner and shall commence operations on a date approved in advance by us in writing. We may, if we so elect, prepare bylaws to be used by the Regional Co-op and may require the Regional Co-op to incorporate. Once a Regional Co-op is established in a DMA in which your Sparkle Salon is located, you shall become a member of such Regional Co-op and be required to contribute to the Regional Co-op as determined by its members no later than 30 days after the date on which the Regional Co-op commences operation. In no event shall you be required to be a member of more than one Regional Co-op with respect to your Sparkle Salon. You shall submit your Co-op Contribution to the Regional Co-op bi-monthly, or we may withhold from your Franchise Commission and submit your Co-op Contribution on your behalf, together with such statements or reports as may be required by us (or by the Regional Co-op with our prior



written consent). Monies in the Regional Co-op may be spent for the purposes determined by a majority vote of the Regional Co-op. Each Regional Co-op shall be organized, if at all, for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by its members in local advertising. All advertising, marketing and promotions shall be submitted to us prior to first use as provided in Section 9.4(b) and shall adhere to the standards set forth in Section 9.4(c). We shall be a member of the Regional Co-op and be entitled to attend and fully participate in Regional Co-op meetings; however, we shall not have a vote unless we or our affiliates operate a Sparkle Salon in the area covered by the Regional Co-op. If the members of the Regional Co-op are unable or fail to determine the manner in which Regional Co-op monies should be spent, we may assume this decision-making authority following 10 days' advance written notice to the members of the Regional Co-op. We, or our designee, may grant to any franchisee an exemption for any length of time from the requirement of membership in any Regional Co-op, upon written request of such a franchisee stating reasons supporting an exemption. Decisions regarding a request for exemption shall be final. We or our designee shall have the right to terminate (and subsequently restart) any Regional Co-op. Upon termination, all monies in that Regional Co-op shall be spent for advertising and/or promotional purposes.

9.6 Loyalty Program. We may operate a customer loyalty program that awards customers loyalty points upon the occurrence of certain events. These points may be used by customers in exchange for discounted or free services and retail products at your Sparkle Salon. You must participate and pay the fees associated with any Loyalty Program that we implement.

9.7 Promotional and Charitable Events. You must participate in all giveaways, promotions, contests, public relation events, and charitable or nonprofit events that we require of franchisees. These promotions may require, among other things, you to make donations of money, time, and people to required promotional or charitable events and partners. These donations will be made at the time and in the manner we require, which will be provided in the Manual.

## 10. MANUAL

We will loan you during the term of this Agreement or make available to you via other means (internet, intranet, etc.) one copy of our Manual, which may include computer software, digital files, web links, other electronic media, and information distributed electronically and/or written materials or allow you access to the Manual. The Manual contains the System Standards, which include mandatory and suggested specifications, standards, operating procedures, and rules that we periodically prescribe for operating a Sparkle Salon and information on your other obligations under this Agreement. We may modify the Manual periodically to reflect changes in System Standards.

You agree to keep your passwords and/or log-in information with respect to web-based or electronic copies thereof current and in a secure location at your Sparkle Salon. If there is a dispute over the contents of the Manual, our master electronic copy of the Manual controls. You agree that the contents of the Manual are confidential and that you will not disclose the Manual to any person other than employees of your Sparkle Salon who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual.

At our option, we may post some or all of the Manual on the internet or intranet to which you will have access. If we do so, you agree to monitor and access the Website for any updates to the Manual or System Standards. Prior to accessing any online training instructional system, you must agree to abide by our terms of use, which we may revise from time to time. Any passwords or other digital identifications necessary to access the Manual via a website, internet, intranet, or other online training instructional system will be deemed to be part of the Confidential Information.

## 11. TRAINING AND ASSISTANCE

### 11.1 Initial Training Program.

(a) Before you open your Sparkle Salon, you (or the Operating Principal of Franchisee if Franchisee is an entity) and your General Manager must complete, to our satisfaction and certification, our initial training program, which will address the material aspects of operating a Sparkle Salon (the "Initial Training Program"). If you obtain an operating Sparkle Salon by transfer from another Sparkle Salon franchisee, you must complete the Initial Training Program before you begin operating that business as a Sparkle Salon. We will provide the Initial Training Program at our corporate headquarters in Gilbert, Arizona, a designated training facility of our choice and/or at an operating Sparkle Salon. You agree to pay for all travel, living and other expenses which you (or your Operating Principal) and your employees incur and for your employees' wages and workers' compensation insurance while they attend the Initial Training Program.

(b) We do not charge a fee for providing the Initial Training Program to you, your Operating Principal and one management level employee who will be responsible for training your staff. Additional people may attend the Initial Training Program, subject to availability if you pay a fee \$1,500 per additional person attending the Initial Training Program (the "Additional Initial Training Program Fee"). If any individual who is required to receive our certification fails to successfully complete the Initial Training Program and receive our certification, then that individual may repeat the Initial Training Program, or you may send a substitute to complete the next available program, [but you may be required to pay the Additional Initial Training Program Fee for such training](#). We reserve the right to charge you a fee for providing any subsequent training program to these individuals or for training any of your substitute personnel.

(c) All of your managerial and training personnel must receive our certification, prior to managing your Sparkle Salon or training your staff. We may, at any time during the term of this Agreement, decertify any previously certified individual if we learn or determine that a person is no longer complying with our standards and procedures. Any person that has been decertified must satisfactorily complete training or a re-training program to receive our certification.

11.2 Training by You. You must conduct such initial and continuing training programs for the staff of your Sparkle Salon as we may require from time to time, including those training programs required in order for your staff members to be certified for the position(s) for which each staff member was hired. We will authorize you to open your Sparkle Salon only after an adequate number of your staff members, as determined by us in our sole discretion, have attended and received certification in your initial training program. We may periodically visit your Sparkle Salon to ensure that your training personnel continue to meet our standards. If we determine, in our sole discretion, that your training personnel are not adequately training your staff, then your training personnel and staff members designated by us must attend and successfully complete our Initial Training Program. We may, in our sole discretion, determine that you are no longer qualified to train your own staff members. In that event your staff members will be required to attend our Initial Training Program prior to beginning to work at your Sparkle Salon. You will be required to pay a tuition fee for your training personnel and staff who we require to attend our training program in addition to paying all travel, living and other expenses incurred by your employees while attending the training program.

11.3 Opening Training. We will send a representative to your Sparkle Salon to assist with the grand opening of your Sparkle Salon ("Opening Training"). The Opening Training will include no less than three (3) days of on-site training for your staff members. You will not be required to pay any additional costs for any of the travel or living expenses incurred by our representative while providing the Opening



Training to you. However, if you reschedule the opening of your Sparkle Salon, you must reimburse us for any travel costs we incur in changing the travel schedules of our personnel. We will determine the hours of training for your staff members. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase, you agree to pay our then applicable charges, including fees for our personnel and their travel and living expenses.

11.4 Ongoing Training. We may require you and your personnel to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate. You may also request that we provide additional training (we are not required to provide this training). We may also require that your replacement training personnel satisfactorily complete our training programs within 90 days of being designated as training personnel. Replacement training personnel may: (a) attend the next training program offered by us; or (b) be trained by your training personnel, however, they must be reviewed by our field personnel and receive our certification prior to managing your Sparkle Salon or training your staff. We may charge the ongoing training fee for any ongoing training we provide. If we agree to provide onsite training, you will pay us \$1,000 per day plus you must reimburse us for all reasonable expenses we incur, such as for travel, meals, and lodging. You are responsible for all costs you incur (including travel, meals, lodging, wages, etc.) for any of your personnel that attend training.

11.5 Franchise Meetings. We may require you to attend periodic conventions, regional meetings, and conferences that we specify including franchise meetings. Even if you fail to attend, we can charge reasonable registration or similar fees for these courses and meetings ("Franchise Meeting Fee"). The Franchise Meeting Fee is currently \$1,000 per person. We may increase the Franchise Meeting Fee upon written notice to you.

11.6 Remediation Training. We may require you and/or your managers and employees to complete additional training if we believe, in our reasonable discretion, that you require additional training to operate your Sparkle Salon to our standards ("Remediation Training"). Remediation Training will occur, in our discretion, either at your Sparkle Salon, at a Sparkle Salon selected by us, or at our flagship Salon in Gilbert, Arizona. The current cost of Remediation Training is \$1,000 per day plus reasonable travel expenses incurred by our employees if we are required to travel in connection with providing the Remediation Training.

11.7 General Guidance. We will provide ongoing advice and consultation to you regarding the operation of your Sparkle Salon through the Manual, bulletins or other written materials, electronic media, telephone, and in person.

## 12. SYSTEM STANDARDS

### 12.1 Compliance with System Standards.

(a) You acknowledge that each and every detail of the appearance, layout, décor, cleanliness, safety standards, services and operation of your Sparkle Salon is essential to us and to other Sparkle Salon franchisees to preserve the goodwill of the Marks and all Sparkle Salons. You agree to cooperate with us by operating and maintaining your Sparkle Salon safely and securely and according to all of our System Standards (whether contained in the Manual or another written communication to you), as we periodically modify and supplement them. You agree that System Standards we prescribe in the Manual, or otherwise communicate to you in writing or another tangible form (for example, via a website, intranet, or internet), are part of this Agreement as if fully set forth within its text.

(b) We may periodically modify the System (including System Standards), and these modifications may obligate you to invest additional capital in your Sparkle Salon and/or incur higher

operating costs. We may require you to integrate new, updated services and products into your Sparkle Salon. You agree to accept, integrate, and use or display in your Sparkle Salon any such changes or modifications to the System as if they were a part of the System at the time this Agreement was executed, and you agree to make such expenditures as the changes or modifications in the System may reasonably require. This includes but is not limited to refurbishing or remodeling the Premises or any other aspect of your Sparkle Salon, hiring additional personnel, buying new equipment, adding new services and products, or otherwise modifying the nature of your operations, as if those changes or modifications were part of the System as of the Effective Date.

(c) If you or your owners, employees, designees, or independent contractors develop any new concepts, services, products, processes or improvements relating to the System, you shall promptly notify us and provide us with all information regarding the new concept, services, products, processes or improvements, all of which shall become our property and which may be incorporated into the System as a “work made for hire” without any payment to you or your owners, employees, designees or independent contractors. If any designee or independent contractor develops any new concepts, processes, or improvements relating to the System on your behalf, you shall obtain covenants that you own (as a “work made for hire”) such concepts, processes, or improvements (and all components) and have the right to transfer to us such concepts, processes, or improvements. You, at your own expense, shall promptly take all actions deemed necessary or desirable by us to vest in us ownership of such concepts, processes, or improvements. To the extent that any item does not qualify as a “work made-for-hire” for us, by this Section you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item. We will make no payment to you for any such item, or for our subsequent use (or our franchisees’ subsequent use) of such item.

## 12.2 Approved Products, Services, Distributors and Suppliers.

(a) You acknowledge that the reputation and goodwill of Sparkle Salons are based upon, and can only be maintained by, the delivery of high quality services and products under the Marks. You agree that you will at your Sparkle Salon: (a) provide all services and products that we specify from time to time and only in the manner we prescribe; (b) not provide any services or products we have not approved; (c) offer for sale and sell all products only at retail and from the Premises and you will not offer or sell any products at wholesale or transfer products to any other business or other business not operating under the System; and (d) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing, provided, however, that you may continue to sell discontinued products for up to 3 months after their discontinuance unless we determine that they are a public hazard or are detrimental to the public image of our System. You will also immediately stop providing any service ~~if that~~ we determine ~~that it is~~ a public hazard or detrimental to the public image of our System. As of the Effective Date of this Agreement, the Approved Services are monthly membership plans, ala carte dog grooming services, and other services that we authorize (collectively, the "Approved Services"). We may modify, add to, change, and removed Approved Services at any time upon written notice to you.

(b) We have developed and may continue to develop certain proprietary or branded products that will be prepared by or for us or our affiliates according to our proprietary designs (collectively “Proprietary Products”). We ~~have~~ also ~~have~~ developed standards and specifications for other products, materials and supplies incorporated or used in providing services and the packaging and delivery of products authorized for sale at Sparkle Salons. You agree that you will: (a) purchase those Proprietary Products only from us or a third party designated and licensed by us to prepare and sell such products (collectively “Designated Suppliers”); and (b) purchase from manufacturers, distributors, vendors and suppliers approved by us (collectively “Approved Suppliers”) all other goods, products, materials and

supplies (collectively “Goods”), as well as advertising materials furniture, fixtures, equipment, forms, or retail skincare products, professional skin and body care, and supplies associated with providing the Sparkle Services at your Sparkle Salon (collectively “Materials”) that meet the standards and specifications promulgated by us from time to time. We have the right to require that you use only certain brands (collectively “Approved Brands”) and to prohibit you from using other brands. We may from time to time modify the list of Approved Brands (including certain skincare products), and you will not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand.

(c) We may from time to time modify the list of Designated Suppliers and/or Approved Suppliers, and you must not, after receipt of such modification in writing, order any Proprietary Products from a supplier who is no longer a Designated Supplier or order any Goods or Materials from a supplier who is no longer an Approved Supplier. We may approve one or more suppliers for any Goods or Materials and may approve a supplier only as to certain Goods or Materials. We reserve the right to charge Designated Suppliers a license fee for the right to manufacture Proprietary Products for use in a Sparkle Salons.

(d) From time to time, we and our affiliates may receive payments from suppliers (including Designated Suppliers and Approved Suppliers) on account of such suppliers’ dealings with you and other franchisees and may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Sparkle Salons or any other group of businesses franchised or operated by us or our affiliates. Approval of a supplier may be conditioned on requirements relating to the product quality, prices, consistency, reliability, financial capability, labor relations, frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by us.

(e) If you propose ~~to purchase~~ing any Goods or Materials (that you are not required to purchase from us, an affiliate of ours or an Approved Supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval or request the supplier to do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier’s facilities, and that such information, specifications, and samples as we reasonably designate be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to granting approval. A charge not to exceed the lesser of \$5,000 and the reasonable cost of the inspection and the actual cost of the test must be paid by you. We will notify you within 60 days of your request as to whether you are authorized to purchase such products from that supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such Approved Supplier and to revoke our approval upon the suppliers’ failure to continue to meet any of the foregoing criteria.

(f) You must at all times maintain an inventory of approved Goods and Materials sufficient in quality and variety to realize the full potential of your Sparkle Salon. We may, from time to time, conduct market research and testing to determine consumer trends and the salability of new products and services. You agree to cooperate in these efforts by participating in our customer surveys and market research programs if requested by us. All customer surveys and market research programs will be at our sole cost and expense or charged to the Brand Fund ~~unless such survey or program has been approved by you and you have approved its proportionate cost.~~ You must not test any new product or service without first being requested to by us and signing a test letter agreement in a form satisfactory to us.

(g) You must utilize our Approved Supplier of music at your Sparkle Salon at your expense. Currently, the costs associated with our Approved Supplier of music are included with your Technology Fee.

(h) We and our affiliates disclaim all express or implied warranties concerning any approved Goods, Materials, Proprietary Products, Proprietary Services, or other goods, materials, or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing, or profitability. You acknowledge that we and our affiliates may, under appropriate circumstances, receive fees, commissions, rebates, royalties, or other consideration from suppliers based on sales to you and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may charge non-approved suppliers reasonable testing or inspection fees.

### 12.3 Salon Systems.

(a) You agree to purchase from us or an Approved Supplier, and use the Salon Systems that we specify, which includes such equipment, computer hardware, routers, high speed Internet and/or communications connections, printers and related accessories or peripheral equipment identified in the Manual or otherwise. The Salon Systems include web-based scheduling, reservation, and payment systems. You must provide assistance, maintenance, and support required to utilize the Salon Systems at your Salon. You agree that any data and information generated, collected, retrieved, maintained, or polled from your Salon Systems belongs to us. You must maintain and use a Sparkle Salon email address that we assign to you.

(b) You acknowledge that the Salon Systems are designed to accommodate a finite amount of data and operate with certain performance parameters, and that, as these limits are reached, or as technology or software is developed in the future, we may, in our sole discretion, mandate that you (at your expense): (a) add memory, accessories or peripheral equipment or additional, new or substitute software to the your computers and related hardware and software; and (b) replace or upgrade the Salon Systems with a larger system capable of assuming and discharging the electronic and/or digital related tasks and functions specified by us. You acknowledge that we may desire to make substantial modifications to the Salon Systems or to require installation, subscription, or adoption of entirely different systems during the term of this Agreement. Within 60 days after you receive notice from us, you agree to obtain, subscribe, download, and/or install the new or updated systems that we designate. If we install these components for you, you must pay our then-current installation fees and any travel, living and other expenses incurred by our personnel.

(c) You agree that we or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you fees for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the term of this Agreement.

(d) You must obtain a maintenance service agreement with an Approved Supplier or Designated Supplier of technology support services and use and maintain the Salon Systems according to our System Standards. You will have sole and complete responsibility for: (a) the acquisition, operation, maintenance, and upgrading of the Salon Systems; (b) the manner in which your Salon Systems interface with our and any third party's computer system; and (c) any and all consequences if the Salon Systems is not properly operated, maintained, and upgraded. You may not install any software (including, but not limited to, virus protection, spam filters, and firewalls) other than authorized upgrades or make any hardware modifications to the Salon Systems without our prior written consent. In some instances, we or our Affiliates may be an Approved Supplier or the Designated Supplier of such support services.

(e) To ensure full operational efficiency and communication capability between our computers and your computer, you agree, at your expense, to keep your computer in good maintenance and repair and to make additions, changes, modifications, substitutions, and replacements to your computer hardware, software, telephone and power lines and other computer-related facilities as directed by us and within the times specified by us in our sole discretion.

#### 12.4 Non-Cash Payment Systems.

(a) You must accept all forms of payment that we specify including but not limited to membership credits, points, debit cards, credit cards, stored value, loyalty cards, gift cards, or other non-cash payment systems specified by us or as set forth in our Manual to enable customers to purchase products and services.

(b) You must participate in and honor the terms of any membership, discount, loyalty, or promotional program (including gift card, loyalty, and discount programs that are applicable to the Sparkle System as a whole, specific markets, or certain Sparkle Salons only) that we offer to the public on your behalf and shall be responsible for the fees payable in conjunction with the operation of these programs. You agree that you will take all action necessary (including the supply to us of all information and the purchase of any supplies, equipment, or services) to participate in any discount or promotional programs.

#### 12.5 Condition and Appearance of your Sparkle Salon.

(a) You must routinely maintain and continuously operate your Sparkle Salon and all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, building interior and exterior, interior, and exterior lighting, landscaping, and parking lot surfaces in first-class condition and repair in accordance with the requirements of the System, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. In that regard, you agree to undertake, without limitation, the following actions during the term of this Agreement: (a) frequent safety inspection of the Premises including, but not limited to, all equipment, tables, products, and other items used in the operation of your Sparkle Salon; (b) thorough cleaning, repainting, and redecorating of the interior and exterior of the Premises at intervals we prescribe including resurfacing of the parking lot, roof repairs, and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment, technology, and décor; (c) interior and exterior repair of the Premises; and (d) repair or replacement of damaged, worn out, obsolete or unsafe equipment or technology.

(b) You will place or display at the Premises (interior and exterior) only those signs (including neon), emblems, photographs, designs, artwork, lettering, logos, and display and advertising materials that we approve from time to time ~~approve~~. You must not make any material alterations to your Sparkle Salon that may, in our reasonable discretion, negatively impact operations or the image of the System without our prior written consent. It is your responsibility to keep the Premises, equipment used at the Premises, your staff, and your customers safe and secure. We may from time to time provide information to you regarding safety and security, but we have no obligation to do so.

(c) If, at any time in our reasonable judgment, the general state of repair, condition, appearance, or cleanliness of the Premises of your Sparkle Salon or its fixtures, furnishings, equipment, technology, or signs does not meet our System Standards, we have the right to notify you, specifying the action you must take to correct the deficiency. You will have 30 days to make these corrections. If you do not initiate action to correct such deficiencies within this 30-day period, we have the right, in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on your behalf, at your expense, and you agree to reimburse us on demand for any expenses we incur in that connection. If

we make a reasonable determination that the continued operation of your Sparkle Salon by you will result in imminent danger to public health or safety, we may terminate this Agreement pursuant to Section 19.2(i) or, in our sole discretion, we may require you to close your Sparkle Salon temporarily to make the necessary repairs or alterations.

(d) Upon receipt of notice from us, you agree to remodel, expand, redecorate, ~~reequip~~ repair, and/or refurbish the Premises and your Sparkle Salon to conform your Sparkle Salon to the image of the System for new Sparkle Salons. If any single modification exceeds \$10,000, then you will have 6 months to comply with such modifications. Except as described below, we will not require a major redesign of your Sparkle Salon that will cost more than \$10,000 more than twice during the Initial Term of this Agreement. In the event we determine, in our sole discretion, that you cannot amortize the cost of the major redesign over the remaining years of the Initial Term, we may agree to extend the Initial Term of this Agreement. If a major redesign of the Premises is required by the Americans with Disabilities Act or any new safety standards that are enacted by Sparkle Franchising or any governmental or regulatory agency, you will be required to complete that redesign, regardless of the cost of compliance.

#### 12.6 Maximum Operation of your Sparkle Salon.

(a) During the term of this Agreement, you must use the Premises solely for the operation of your Sparkle Salon and you must maintain sufficient inventories, adequately staff each shift with qualified employees, and continuously operate your Sparkle Salon at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manual or as we otherwise prescribe in writing. As of the Effective Date, your Sparkle Salon must be open and available for services and products as well as customer service calls seven (7) days and 84 hours per week.

(b) You must immediately resolve any customer complaints regarding the quality of service, products, cleanliness, or any similar complaints made with respect to your Sparkle Salon. When any customer complaints cannot be immediately resolved, you must use commercially reasonable efforts to resolve the customer complaints as soon as practical and you must, whenever feasible, give the customer the benefit of the doubt. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if we, in our sole discretion, believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaints, which amount you must pay to us immediately on demand.

12.7 Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of your Sparkle Salon and any other licenses applicable to your management and personnel. You must operate your Sparkle Salon in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, government regulations relating to occupational hazards, health, worker's compensation, and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You must notify us in writing within 5 days of the commencement of any proceeding or the issuance of any decree of any court or government agency that may adversely affect the operation of your Sparkle Salon or your financial condition or give rise to liability or a claim against you or us. You must follow and abide by the crisis management information contained in the Manual.

#### 12.8 Management and Staffing of your Sparkle Salon.

(a) Your Sparkle Salon must at all times be under the on-premises supervision of you or your Operating Principal, General Manager, or a manager of your Sparkle Salon that we have approved



and who has completed and been certified by our Initial Training Program. You must keep us informed at all times of the identity of any supervisory employee(s) acting as managers of your Sparkle Salon. Your managerial personnel must devote their full time and commercially reasonable efforts to the management and supervision of your Sparkle Salon.

(b) You, your Operating Principal, and/or General Manager must manage and provide general oversight of your Sparkle Salon. You or your Operating Principal must remain active in overseeing the operations of your Sparkle Salon, including, without limitation, regular, periodic visits to your Sparkle Salon and sufficient communications with us to ensure that the operations of your Sparkle Salon comply with the System Standards promulgated by us from time to time in the Manual or otherwise in written or oral communications to you.

(c) If your Operating Principal does not meet our qualifications and requirements regarding experience in the spa industry, you will be required, prior to opening your Sparkle Salon for business, to retain a General Manager that meets our qualifications and requirements. Our qualifications and requirements are identified in our Manual.

(d) Your Sparkle Salon must at all times be operated by the number of staff members and managerial personnel that we designate or as required by any applicable government regulations. You must hire all employees of your Sparkle Salon and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of your Sparkle Salon, in human resources, and customer relations. You must establish at your Sparkle Salon a training program for all employees that meets our standards.

(e) You must conduct appropriate criminal background checks and due diligence on all employees of your Sparkle Salon to determine that your employees meet the high ethical standards necessary for working with animals. You must comply with all state and local laws and regulations regarding the staffing and on-premises management of personnel including, but not limited to, any required licenses and any regulations dealing with providing dog grooming and related services. You must employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of Sparkle Salons and the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manual.

## 12.9 Insurance.

(a) You will be responsible for all loss or damage arising from or related to your development and operation of your Sparkle Salon, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the Premises, or in connection with the development and/or operation of your Sparkle Salon. You must obtain from a Sparkle Franchising approved broker or carrier, and maintain in full force and effect throughout the term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of your Sparkle Salon, which shall include, at a minimum, the following:

(i) Commercial General Liability insurance written on an occurrence form, including but not limited to the following coverage levels: \$1,000,000 Each Occurrence; \$1,000,000 Personal & Advertising Injury \$2,000,000 General Aggregate; and \$1,000,000 Products/Completed Operations Aggregate.

(ii) Professional Liability: \$1,000,00 Each Claim; \$2,000,000 Aggregate



(iii) Sexual Abuse / Misconduct / Molestation: \$1,000,000 Each Claim; \$1,000,000 Aggregate

(iv) Employment related practices liability insurance, including third party coverage: \$1,000,000 per occurrence; \$1,000,000 aggregate. Such insurance must include a deductible of no more than \$10,000 unless we approve a higher deductible in writing.

(v) Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage: \$1,000,000 per accident. Such insurance shall include coverage for hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of Franchisor.

(vi) Commercial umbrella or excess liability that, at a minimum, sits over the Commercial General Liability, Commercial automobile insurance, and Employers liability policies: \$2,000,000 per occurrence; \$2,000,000 aggregate.

(vii) Property insurance coverage: Coverage for replacement costs of all Franchisee-owned contents and tenant improvements, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than twelve months. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$5,000 per occurrence.

(viii) Workers' compensation: (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability; (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of Franchisor.

(ix) Such other insurance as may be required by us from time to time or by the Landlord of the Sparkle Salon, and by the state or locality in, which the Sparkle Salon is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

(b) The insurance policies described above must: (i) be written on a primary and non-contributory basis; (ii) have a deductible equal to or less than stated above; (iii) grant a Waiver of Subrogation in favor of Franchisor; and (iv) grant Additional Insured status to Franchisor.

(c) The types and amount of insurance listed above represent the minimum coverage you are required to secure prior to opening your Sparkle Salon. You may secure additional insurance. Additionally, local law and/or your Lease may require additional types of insurance and/or greater amounts of coverage. To the extent that your Lease requires additional policies and/or amounts of coverage, your Lease shall control although you are obligated to have each type of insurance identified above.

(d) All insurance policies must be purchased through an agent or broker on our Approved Supplier list and be written by an insurance company that meets our approval. We may from time to time increase the minimum required coverage and/or require different or additional insurance coverage (including an additional umbrella liability insurance policy) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide you [with](#) written notice of such modifications and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration.

(e) At least 10 days prior to commencing construction of your Sparkle Salon (or, if you are acquiring an existing Sparkle Salon, 10 days prior to the transfer of ownership interests) and annually thereafter, you promise to submit to us a copy of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and your Sparkle Salon on your behalf, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus ~~a reasonable fee~~ \$500 for our time incurred in obtaining such insurance.

12.10 Notification of Claims. You must notify us in writing within 24 hours of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or occurrence of any accident or injury which may adversely affect the operation of your Sparkle Salon or your financial condition or give rise to liability or a claim against you or us.

12.11 Right to Inspect your Sparkle Salon. You acknowledge and agree that we have the right, upon reasonable notice to you, to inspect your Sparkle Salon (the "Inspection"). Our right to inspect your Sparkle Salon shall include the right to conduct reasonable inspections of your operations, marketing, safety systems and programs, financial systems, maintenance, and necessary repairs of your Sparkle Salon. A report and score may be generated as part of the Inspection. A copy of the report and score will be provided to you as well as to the Sparkle Franchising corporate office. A failing score on an Inspection shall be a default of the Franchise Agreement and, subject to the terms of Section 19.3, be grounds for termination of the Franchised Agreement.

12.12 Pricing. To the fullest extent permitted by law, we may impose minimum, maximum, or required pricing for services or products offered or sold from or at your Salon.

### 13. MARKS

13.1 Ownership and Goodwill. Your right to use the Marks ~~is~~are derived only from this Agreement and is limited to your operating your Sparkle Salon at the Premises according to this Agreement and all System Standards we prescribe during the term of this Agreement. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your Sparkle Salon under this Agreement). You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity, or our ownership, of the Marks.

#### 13.2 Limitations on Your Use of Marks.

(a) You agree to use the Marks as the sole identification of your Sparkle Salon, except that you agree to identify yourself as its independent operator in the manner we prescribe. Unless you obtain our prior written consent, you may not use any Mark, any derivatives of the Marks or similar mark: **(a)** as part of any corporate or legal business name; **(b)** with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); **(c)** in selling any unauthorized services or products; or **(d)** in any other manner that we have not expressly authorized in writing.

(b) You may not use any Marks in advertising the transfer, sale, or other disposition of your Sparkle Salon or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at your Sparkle Salon and on forms, advertising, supplies, and other materials we designate. You must ensure that the Marks bear

the “®,” “TM,” or “SM” symbol, as we prescribe from time to time. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

(c) Use of the Marks on Internet. You may not use the Marks on any Internet domain name, e-mail address, Internet Website, or social media platform without our prior written consent. We may grant or withhold our consent in our sole discretion. We may, upon written notice to you, require you to retain a Designated Supplier of social media, public relations, and digital marketing services (“Social Media Services”). There may be a fee payable to such Designated Supplier in connection with Social Media Services. You will be required to retain and utilize such Designated Supplier(s) upon written notice from us.

(d) Notification of Infringements and Claims. You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark or of any person’s claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your cost of taking any action that we have asked you to take.

(e) Discontinuance of Use of the Marks. If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute Marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing your Sparkle Salon’ signs or any printed collateral, for any loss of revenue due to any modified or discontinued Marks, or for your expenses of promoting a modified or substitute Marks.

(f) Indemnification for Use of the Marks. We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Marks under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and any other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Marks under this Agreement.

#### 14. YOUR ORGANIZATIONAL STRUCTURE

##### 14.1 Representations.

(a) If you are a corporation, a limited liability company or a partnership (“Entity”), you make the following representations and warranties: (a) you are duly organized and validly existing under the laws of the state of formation; (b) you are qualified to do business in the state, county, and city in which your Sparkle Salon is located; (c) execution of this Agreement and the development and operation of your Sparkle Salon is permitted by your governing documents; (d) unless waived in writing by us, your Articles of Incorporation, Articles of Organization or written partnership agreement must at all times provide that your activities are limited to the development and operation of Sparkle Salons and other businesses operated by you that are franchised by us or our affiliates; and (e) all interests in you are owned as set forth in attached Exhibit 4; (f) each person owning 20% interest in Franchisee has executed a guaranty agreement (Exhibit 5) undertaking to be bound by the provisions of the Franchise Agreement.

(b) If you are an individual, a group of individuals, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (a) each individual has signed this Agreement; (b) each individual will be jointly and severally bound by, and personally liable for the timely and complete performance and default of, each and every provision of this Agreement; and (c) notwithstanding any transfer for convenience of ownership, each individual will continue to be jointly and severally bound by, and personally liable for the timely and complete performance and default of, each and every provision of this Agreement.

14.2 Governing Documents. If you are an Entity, then you must provide us copies of your organizational and governing documents ("governing documents"). When any of these governing documents are modified or changed, you must promptly provide copies to us. You must maintain a current list of all of your owners, members, or partners (and the percentage ownership of each owner, member, or partner). You must comply with Section 16.2. prior to any change in ownership interests and sign and deliver to us a revised Exhibit 4 to reflect any permitted changes in the information that Exhibit 4 now contains. If you are an Entity, you must maintain stop-transfer instructions against the transfer on your records of any voting securities, membership interests or ownership interests. If you are a publicly-held corporation these requirements will apply only to the stock owned by your shareholders who have an ownership interest in you in excess of 10%.

14.3 Personal Guaranty. Each of your owners who hold an ownership interest in you of more than 20% at any point during the term of this Agreement must sign a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached as Exhibit 5.

#### 14.4 Operating Principal.

(a) If you are an entity, you will appoint one of your owners (the "Operating Principal") to be our principal point of contact. The Operating Principal will be the person with whom we will communicate on all major policy, financial, management, and operational matters, and the only person that we will recognize as having authority to communicate for and on your behalf.

(b) ~~We recommend that you (or the~~Franchisees (or Franchisee's Operating Principal if you areFranchisee is an entity) ~~hire a General Manager that satisfies our requirements;are expected to participate in the direct operation of the Salon on a full-time basis. We require you (or the Operating Principal if you are an entity) to personally participate and assist in managing the day-to-day operations alongside your General Manager~~If they cannot, Franchisee is obligated to have a fully trained Manager operate the Salon. We expect the Operating Principal to supervise the General Manager and to oversee the Salon. You may not change the Operating Principal without our prior written consent.

(c) You (or the Operating Principal if you are an entity) and your General Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities). We will not unreasonably withhold our approval of any General Manager you propose, provided the General Manager has completed our Initial Training Program and otherwise demonstrates an understanding of our System standards and specifications for daily operations of a Salon.

(d) If the franchisee is a business entity, we do not require the General Manager to own an interest in the entity, but the General Manager must sign our prescribed form of Confidentiality Agreement.

(e) Your Salon must, at all times, be managed by at least one (1) individual who has successfully completed our Initial Training Program. In the event that you operate more than one Salon,

you must have a properly trained General Manager at each Salon you own and operate. You must keep us informed at all times of the identity of any personnel acting as General Manager and obtain our approval before substituting a new General Manager at any of your locations.

(f) If the Operating Principal no longer qualifies as such, you must designate another qualified person to act as Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. Your designee to become the Operating Principal must successfully complete our Initial Training Program and any additional training we require within 30 days after being designated as your Operating Principal.

#### 14.5 General Manager.

(a) While we recommend that you (or the Operating Principal if you are an entity) personally participate and manage the day-to-day operations of your Salon, you may hire a General Manager to manage daily operations with our approval. You (or the Operating Principal if you are an entity) and your General Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities). Your General Manager must devote full time and commercially reasonable efforts to the management and supervision of your Sparkle Salon and must not engage in any other business or activity, other than operation of your Sparkle Salons, ~~that~~which requires substantial management responsibility. The General Manager must be approved by us and must successfully complete and be certified in our training programs. If the General Manager no longer qualifies as such, you must designate another qualified person to act as General Manager within 30 days after the date the prior General Manager ceases to be qualified. Your designee to become the General Manager must successfully complete and be certified by us in the Initial Training Program and any additional training that we require within 30 days after being designated as your General Manager.

(b) We will not unreasonably withhold our approval of any General Manager you propose provided the General Manager has completed our Initial Training Program and otherwise demonstrates an understanding of our System standards and specifications for daily operations of a Salon.

(c) If the franchisee is a business entity, we do not require the General Manager to own an interest in the entity, but the General Manager must sign our prescribed form of Confidentiality Agreement. Your Salon must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program. In the event that you operate more than one Salon, you must have a properly trained General Manager at each Salon you own and operate. You must keep us informed at all times of the identity of any personnel acting as General Manager and obtain our approval before substituting a new General Manager at any of your locations.

#### 15. TRANSFER BY US.

We have the absolute, unrestricted right, exercisable at any time, to change our ownership or form and/or transfer and assign all or any part of our rights and obligations under this agreement to any person or legal entity without your consent. After our transfer or assignment of this agreement to a third party who expressly assumes the obligations under this agreement, we no longer will have any performance or other obligations under this agreement.

#### 16. TRANSFER BY YOU

16.1 Transfer Generally. You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective

character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual or Entity which directly or indirectly controls you may sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in you, this Agreement, the Franchise, your Sparkle Salon, the Assets of your Sparkle Salon, the Premises, the Lease or any other assets pertaining to your operations under this Agreement (collectively “Transfer”) without our prior written consent. Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having our prior written consent will have no effect with regard to us and will constitute a material default of this Agreement, for which we may terminate this Agreement without providing you an opportunity to cure the default.

## 16.2 Conditions for Approval of Transfer.

(a) You must advise us in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, submit a copy of all contracts and all other agreements or proposals, and submit all other information requested by us, relating to the proposed Transfer. Along with that required information, you must pay to us a transfer fee equal to \$15,000 (“**Transfer Fee**”). The Transfer Fee is non-refundable, however, if the proposed Transfer transaction does not close, then we shall apply the Transfer Fee against the transfer fee for any subsequent Transfer that you close within the 12-month period following your initial Transfer application. If we do not exercise our right of first refusal (as set forth in Section 16.8), the decision as to whether or not to approve a proposed Transfer will be made by us in our sole discretion and will include numerous factors deemed relevant by us. These factors may include, but will not be limited to, the following:

(b) the proposed transferee meets our then-current standards for new franchisees and has sufficient business experience, aptitude, and financial resources to operate your Sparkle Salon;

(c) you have paid all amounts owed to us, our affiliates, and third party vendors and suppliers, have submitted all required reports and statements, and are not in default of this Agreement;

(d) neither the proposed transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competing Business (as defined in Section 18.2);

(e) the proposed transferee (or its Operating Principal) satisfactorily completes our Initial Training Program (and any other required training programs we require) and pays any then-current training fees;

(f) the proposed transferee has demonstrated an ability to obtain possessory rights in the Premises;

(g) you have corrected any existing deficiencies of your Sparkle Salon of which we have notified you, and/or the proposed transferee agrees to upgrade, remodel, and refurbish your Sparkle Salon in accordance with our then current requirements and specifications for Sparkle Salons within the time period we specify following the effective date of the Transfer (we will advise the proposed transferee before the effective date of the Transfer of the specific actions that are required and the time period within which such actions must be taken);

(h) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee’s obligations under promissory notes, agreements, or security interests reserved in your Sparkle Salon are subordinate to the transferee’s obligation to pay Royalties, Brand Fund contributions, and other amounts due to us, our affiliates, and third party suppliers and vendors and otherwise to comply with this Agreement; and



(i) you (and your transferring owners) must sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees, and agents.

(j) you modify and/or upgrade certain fixtures, equipment, features, and computer hardware or software to our then current standards prior to the closing of the proposed Transfer.

(k) If we approve a proposed Transfer, prior to the Transfer becoming effective:

(i) you or the proposed transferee must pay us the balance of the nonrefundable Transfer Fee, to reimburse us for reasonable expenses associated with reviewing the Transfer. The Transfer Fee will be waived if the proposed transferee: (1) is an Entity formed by you for the convenience of ownership as set forth in Section 16.3.; or (2) has obtained your Sparkle Salon as a result of your death or permanent incapacity as provided in Section 16.4;

(ii) if the franchise candidate for the Transfer comes through the investigation process with a franchise sales broker that we have retained, then the transferee must pay our then-current Initial Franchise Fee. This enables us to pay the additional costs we incur, including the payment of the broker's commission.

(iii) you and the proposed transferee must sign, at our election, either an assignment agreement and any amendments to this Agreement deemed necessary or desirable by us to reflect the Transfer or our then-current standard form of franchise agreement for a term ending on the expiration date of the Initial Term of this Agreement. In either event, if the proposed transferee is an Entity, the transferee must complete Exhibit 4 as required by Section 14.2. and all individuals who hold or will hold an ownership interest in Franchisee of more than 20% must sign the guaranty attached as Exhibit 5;

(iv) the proposed transferee must sign our then-current license agreements or service agreements related to the Salon Systems; and

(v) you (and all of your owners) must, at our request, sign a written guaranty pursuant to which you will remain liable for all obligations to us incurred before the date of the Transfer.

### 16.3 Following the effective date of the Transfer:

(a) you and your transferring owners agree not to engage in any of the activities proscribed Section ~~018~~ below, for the Restricted Period in the Restricted Area; and

(b) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Sparkle Salons you own and operate) identify yourself or themselves or any business as a current or former Sparkle Salon or as one of our franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a Sparkle Salon in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us.

16.4 Transfer for Convenience of Ownership. If you are an individual or a partnership and you would like to Transfer this Agreement to a corporation or limited liability company formed exclusively for the convenience of ownership, the requirements of Section 16.~~12~~ will apply to such a Transfer; however, you will not be required to pay a Transfer Fee. Our approval also will be conditioned on the following: (1) the corporation or limited liability company must be newly organized; (2) prior to the Transfer, we must receive a copy of the documents specified in Section 14.2. and the transferee must comply with the



remaining provisions of Section 14; (3) you must own all voting securities of the corporation or membership interests of the limited liability company or, if you are owned by more than one individual, each person must have the same proportionate ownership interest in the corporation or the limited liability company as prior to the Transfer; and (4) you and your owners must agree to remain personally liable under this Agreement as if the Transfer to the corporation or limited liability company did not occur.

16.5 Transfer upon Your Death or Permanent Incapacity. If the Transfer is a transfer of ownership interests in you following the death or permanent incapacity (as reasonably determined by us) of one of your owners, that person's executor, administrator, or other personal representative must apply to us in writing within 90 days after death or declaration of disability for consent to Transfer this person's interest to a third party that we have approved. We do not charge a Transfer Fee under this Section ~~0~~16.5. That Transfer must be completed within a reasonable time, not to exceed 6 months from the date of death or disability and is subject to all of the terms and conditions in this Section 16. A failure to Transfer your interest in this Agreement or the Operating Principal's ownership interest in you within this time period will constitute a default of this Agreement.

16.6 No Rights to Grant a Security Interest. You may not grant any security interest in your business entity, your Sparkle Salon, the Premises, or the Assets without our prior written consent. Our approval may be conditioned, in our sole discretion, on the written agreement by the secured party that, in the event of a default by you under any agreement related to the security interest, we will have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of the fair market value of the secured assets.

16.7 Effect of Consent to Transfer. Our consent to any Transfer is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Sparkle Salon' or the transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand your and your transferee's full compliance with this Agreement.

#### 16.8 Our Right of First Refusal.

(a) We have the right, exercisable within 10 days after receipt of the notice specified in Section 16.2(a) to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise it. Our right of first refusal will not apply with regard to Transfers for Convenience of Ownership under Section 16.4. If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third-party. Closing on our purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same consideration as the third-party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within 30 days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser, and the appraiser's determination will be final. Any material change in the terms of the offer from a third party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

(b) If a Transfer to which our right of first refusal applies is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraisers' determination of fair market value.

(c) If we elect not to exercise our rights under this Section 16.8, the transferor may complete the Transfer after complying with this Section 16. Closing on the Transfer must occur within 60 days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was completed on terms substantially the same as those offered to us. You must provide us copies of all fully executed agreements and any other information we request relating to the Transfer.

16.9 Public Offering. Securities or partnership interests in you may be sold, by private or public offering, only with our prior written consent (whether or not our consent is required under any other provision of this Section), which consent will not be unreasonably withheld. In addition to the requirements of Section 16.1, prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you at your expense, must deliver to us a copy of the offering documents. You, at your expense, also must deliver to us an opinion of your legal counsel and an opinion of one other legal counsel selected by us (both of which shall be addressed to us and in a form acceptable to us) that the offering documents properly use the Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 23 shall also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public offering or private placement of your securities.

17. GENERAL RELEASE. You (on behalf of yourself and your subsidiaries and affiliates), all individuals who execute this Agreement and all guarantors of your obligations under this Agreement (collectively "Franchisee Releasers") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "Sparkle Franchising Releasees"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively "Released Claims"), which you or any Franchisee Releaser now own or hold or may at any time have owned or held, including, without limitation, Released Claims arising under federal, state and local laws, rules and ordinances, and Released Claims arising out of, or relating to this Agreement and all other agreements between you or any Franchisee Releaser and any Sparkle Franchising Releasee, the sale of a franchise to you or any Franchisee Releaser, the development and operation of your Sparkle Salon and the development and operation of all other Sparkle Salons operated by you or any Franchisee Releaser that are franchised by any Sparkle Franchising Releasee. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document or its exhibits or otherwise impair or affect any Released Claims arising after the date of this Agreement or apply to claims arising under the Franchise Investment Protection Act (Washington), Chapter 19.100 RCW or the rules adopted thereunder. You (on behalf of the Franchisee Releasers) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

## 18. COVENANTS

18.1 Confidential Information. During and after the Term, you may not communicate, divulge, or use for any purpose other than the operation of your Sparkle Salon any Confidential Information, knowledge, trade secrets or know-how which may be communicated to you or which you may learn by virtue of your relationship with us (“Confidential Information”). You may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate your Sparkle Salon. All Confidential Information, relating to us, our business plans, or the System are deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain. You must require your Operating Principal and key employees and any other person or entity you wish to disclose any Confidential Information to sign agreements, in a form acceptable to us, that they will maintain the confidentiality of the disclosed information. The agreements must identify us as a third-party beneficiary with the independent right to enforce the agreements.

18.2 Restrictions. You acknowledge and agree that: (a) pursuant to this Agreement, you will have access to the Confidential Information; (b) the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; (c) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Sparkle Salons if our franchisees were permitted to hold interests in “Competing Businesses” (which are defined as businesses that provide dog grooming and related products). You acknowledge that restrictions on your right to hold interests in or perform services for Competing Businesses will not hinder your activities. You and your owners expressly acknowledge that you each possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the restrictions contained in this Section will not deprive you of your personal goodwill or ability to earn a living. You therefore agree that, during the term of this Agreement and for the “Restricted Period” following the expiration or earlier termination of this Agreement, you and your owners will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:

(a) own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business;

(b) knowingly employ or seek to employ any person then employed by us or employed by any Sparkle Salon franchisee as a manager or higher level position, or otherwise directly or indirectly induce such person to leave his or her employment without our prior written consent; or

(c) divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any Sparkle Salon to a Competing Business.

(d) If, at any time during the Restricted Period, you or your owners fail to comply with your obligations contained in this Section 18.2, that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section 18.2. These restrictions also apply after Transfers, as provided in Section 16.3 above. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 18.2.

(e) For purposes of this Agreement, the term "Restricted Period" shall be two (2) years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Franchise Agreement expires or is terminated.

(f) During the term of this Agreement, there is no geographical limitation on the restrictions contained in this Section 18.2. During the Restricted Period, these restrictions will apply at the Premises; within the Protected Territory; within a 5-mile radius of the outer boundaries of the Protected Territory; and within 5 miles of any other Sparkle Salon in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement (the "Restricted Area"); or (ii) the date on which all persons restricted by Section 18.2 begin to comply with Section 18.2.

18.3 If any restriction in this Section 18 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

18.4 You agree to obtain similar covenants from the personnel and persons we specify, including your officers, directors, managers, and other employees who attend our training programs or have access to Confidential Information and your immediate family members (which include spouses and domestic partners and such other persons as we may specify following our review of your franchise application and proposed operations and ownership structure). We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

## 19. TERMINATION

19.1 Termination by You. Franchisee may terminate this Franchise Agreement upon the material default by Franchisor of one or more provisions of this Franchise Agreement provided that the Franchisee provides written notice of the default to Franchisor along with no less than sixty (60) days to cure the default. If the default outlined in Franchisee's notice of default cannot be cured within sixty (60) days and Franchisor is making commercially reasonable efforts to cure the default, the cure period shall be extended for an additional sixty (60) days. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 20 and all other obligations that survive the expiration or termination of this Agreement.

19.2 Termination by Franchisor Without Cure Period. In addition to the grounds for termination that may be stated elsewhere in this Agreement, we may terminate this Agreement and the rights granted by this Agreement, upon written notice to you without an opportunity to cure upon the occurrence of any of the following events:

(a) You: (i) do not locate, and sign a Lease or acquisition document for, a site approved by us for the Premises; or (ii) comply with the terms of Section 5; within 12 months of the Effective Date of this Agreement;

(b) you do not open your Sparkle Salon within the time period prescribed in Section 6.2;

(c) you abandon or fail actively to operate your Sparkle Salon for a period of three (3) or more consecutive days, unless you close your Sparkle Salon for a purpose we approve in writing or because of Force Majeure, as defined in Section 25.3;

(d) you become insolvent; you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Sparkle Salon is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or your Sparkle Salon is not vacated within 30 days following the order's entry;

(e) there is a material default by you of any covenant or obligation set forth in Section 18;

(f) any Transfer that requires our prior written consent occurs without your having obtained that prior written consent;

(g) we discover that you made a material misrepresentation or omitted a material fact in the information that you provided to us in connection with our decision to grant a Franchise to you;

(h) you knowingly falsify any report required to be furnished to us; make any material misrepresentation in your dealings with us; or fail to disclose any material facts to us;

(i) if an incident occurs at your Sparkle Salon that involves one of your employees and we discover that you did not conduct adequate due diligence and criminal background checks on that employee;

(j) we make a reasonable determination that continued operation of your Sparkle Salon by you will result in an imminent danger to public health or safety;

(k) you lose the right to occupy the Premises;

(l) you, the Operating Principal, your General Manager, or any of your owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates, the goodwill associated with the Marks, or the System;

(m) you, or your Operating Principal, your General Manager and/or any management personnel of your Sparkle Salon do not satisfactorily complete the Initial Training Program (after we provide a second opportunity as provided in Section 11.1(a));

(n) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation; you or your owners: (a) remain in default beyond the applicable cure period under, or we terminate, any other agreement with us or our affiliates (provided that, if the default is not by you, we will provide to you written notice of the default and a 30-day period to cure the default); (b) remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to your Sparkle Salon; (c) remain in default beyond the applicable cure period under any contract with any vendor or supplier to your Sparkle Salon; or (d) fail to pay when due any taxes

or assessments relating to your Sparkle Salon or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization;

(o) you interfere with our relations with other franchisees or third parties and/or negatively impact our ability to operate and/or grant franchises under our System;

(p) you materially default any representation or warranty set forth in Section 30;

(q) You fail to maintain all insurance policies required by Section 12.9 of this Agreement and/or you allow or communicate your intent to allow any policy of insurance required by this Agreement to expire, lapse, cancel or terminate; or

(r) If you have received two (2) or more notices of default within the previous 12-month period, we may send you a notice of termination upon your next default within that 12-month period without providing you with an opportunity to cure the default.

### 19.3 Termination Following Expiration of Cure Period.

(a) Except for those items listed in preceding Section 19.2 and 19.3(b), you will have 30 days after written receipt of notice of default from us within which to remedy any default and provide evidence of that remedy to us. If any default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, you will have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that you promptly begin taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 19.3 for any failure to materially comply with any of the requirements imposed by this Agreement, the Manual or otherwise in writing, or to carry out the terms of this Agreement in good faith.

(b) Notwithstanding the preceding sentences of this Section 19.3, if you default in the payment of any monies owed to us or our affiliates when such monies become due and payable and you fail to pay such monies within 5 days after receiving written notice of default or immediately if payment has not been made within 30 days of its due date, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

19.4 Termination Following Inspection. We (or our designee) may periodically conduct inspections of your Sparkle Salon to evaluate your compliance with the System and this Agreement. Following each Inspection, we will provide you with an Inspection report and Inspection score on the Inspection and those conditions at your Sparkle Salon that must be rectified. If you fail to achieve a passing score on an Inspection, the Inspection report will constitute a notice of default. If you fail to achieve a passing score on the next Inspection (which we will conduct at least 30 days after your receipt of the Inspection report for the prior Inspection), we may terminate this Agreement, without opportunity to cure, by providing you with a written notice of termination along with the Inspection report.

## 20. OBLIGATIONS UPON TERMINATION OR EXPIRATION

### 20.1 Your Obligations. Upon termination or expiration of this Agreement:

(a) The rights granted to you in the Protected Territory immediately will terminate, and we will have the right to operate, or license others to operate, Sparkle Salons anywhere in the Protected Territory;

(b) You and your owners must continue to abide by the covenants in Section 18;

(c) Within 15 days, or on any later date that we determine the amounts due to us, you must pay to us, and our affiliates all sums due and owing to us and our affiliates;

(d) You must immediately discontinue all use of the Marks in connection with your Sparkle Salon and of any and all items bearing the Marks; remove the Marks from your Sparkle Salon and from clothing, signs, materials, motor vehicles and other items owned or used by you in the operation of your Sparkle Salon; cancel all advertising for your Sparkle Salon that contains the Marks; and take such action as may be necessary to cancel any filings or registrations for your Sparkle Salon that contain any Marks. You must comply with this Section 20.1. before any items bearing the Marks are offered for sale or auction by you or your Franchisors or lienholders;

(e) You must immediately cease using any of our Confidential Information (including the Salon Systems or similar technology and digital passwords and identifications that we have licensed or loaned to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us the Salon Systems, your client list, your telephone numbers, your email addresses, your social media pages, all copies of the Manual, and any other confidential materials that we have loaned you;

(f) Within 30 days, you must deliver to us all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark, or otherwise identifying or relating to a Sparkle Salon that we request and allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from Sparkle Salon;

(g) You agree to promptly notify social media platforms, and internet service providers of the termination or expiration of your right to use any URLs and domain names, or other numbers or names associated with any Mark; to authorize the transfer of these listings to us or to a third party, at our direction; and/or to instruct the domain name registries and internet service providers to forward all calls, e-mails and electronic communications made to names, numbers or addresses we specify; and

(h) If we do not have or do not exercise an option to purchase the Assets of the Sparkle Salon under Section 21 below, you agree promptly and at your own expense to make the alterations we specify in the Manual (or otherwise) to distinguish your Sparkle Salon clearly from its former appearance and from other Sparkle Salons in order to prevent public confusion. If you fail to promptly make these alterations and modifications, we will have the right (at your expense, to be paid upon your receipt of an invoice from us) to do so without being guilty of trespass or another tort.

(i) Evidence of Compliance. You must furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by you or by your chief executive officer if you are a corporation; by your manager, if you are a limited liability company; or by your general partner, if you are a partnership) satisfactory to us of your compliance with Section 20.1.

(j) Prohibition from Engaging in Future Conduct. Upon termination or expiration of this Agreement and your satisfaction of the covenants set forth in Section 18, you agree that you will not, except with respect to a business franchised by us or our affiliates which is then open and operating pursuant



to an effective franchise agreement: (1) operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with us or our affiliates or have any right to use the System or the Marks; (2) make, use or avail yourself of any of the materials or Confidential Information furnished or disclosed by us or our affiliates under this Agreement or disclose or reveal any such materials or Confidential Information or any portion of those materials or Confidential Information to anyone else; or (3) assist anyone not licensed by us or our affiliates to construct or equip a business substantially similar to a Sparkle Salon.

(k) Continuing Obligations. All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding the expiration or termination and until the obligations are satisfied in full or by their nature expire.

(l) No Exclusive Remedy. No right or remedy conferred upon or reserved to us in this Section 20 is exclusive of any other right or remedy provided or permitted by law or equity.

## 21. OUR OPTION TO PURCHASE CERTAIN ASSETS OF YOUR SPARKLE SALON

21.1 Scope. Upon the expiration or termination of this Agreement for any reason, we will provide written notice to you, within 30 days after the effective date of termination or expiration, if we intend to exercise our option to purchase from you some or all of the Assets. As used in this Agreement, the term "Assets" means and includes, without limitation, leasehold improvements, equipment, technology, vehicles, furnishings, fixtures, signs, and inventory (non-perishable products, materials, and supplies) used in your Sparkle Salon, real estate interests (including the fee simple rights or the Lease), and any licenses necessary to operate your Sparkle Salon. We will have the unrestricted right to assign this option to purchase the Assets. We or our assignee will be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition, and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise.

21.2 Purchase Price. The purchase price for the Assets ("Purchase Price") will be their fair market value (or, for leased assets, the fair market value of your Lease), determined as of the effective date of purchase in a manner that accounts for customary depreciation and condition of the Assets; provided, however, that the Purchase Price will take into account the termination of this Agreement. Further, the Purchase Price for the Assets will not contain any factor or increment ~~for any~~ of the Marks, or ~~other trademarks, service marks, or~~ commercial symbols used in connection with the operation of your Sparkle Salon nor any goodwill or "going concern" value for your Sparkle Salon. We may exclude from the Assets purchased in accordance with this Section any equipment, technology, vehicles, furnishings, fixtures, signs, and inventory that we do not desire to purchase, are not approved as meeting then-current standards for a Sparkle Salon, or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

21.3 Certified Appraisers. If we and you are unable to agree on the fair market value of the Assets within 30 days after your receipt of our notice of our intent to exercise our option to purchase the Assets, the fair market value will be determined by two professionally certified appraisers, one selected by you and one selected by us. If the valuations set by the two appraisers differ by more than 10%, the two appraisers will select a third professionally certified appraiser who also will appraise the fair market value of the Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) will be conclusive and will be the Purchase Price. The appraisers will be given full access to your Sparkle Salon, the Premises, and your books and records during customary business hours to conduct the appraisal

and will value the Assets to be purchased in accordance with the standards of this Section 21. The appraisers' fees and costs will be borne equally by you and us.

21.4 **Exercise of Option.** Within 10 days after the Purchase Price has been determined, we may exercise our option to purchase the Assets by notifying you in writing ("Purchase Notice"). The Purchase Price will be paid in cash or cash equivalents at the closing of the purchase ("Closing"), which will take place no later than 60 days after the date of the Purchase Notice. For a period of 30 days after the date of the Purchase Notice ("Due Diligence Period"), we will have the right to conduct such investigations as we deem necessary and appropriate to determine: (1) the ownership, condition and title of the Assets; (2) liens and encumbrances on the Assets; (3) environmental and hazardous substances at or upon the Premises; and (4) the validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise. You will give us and our representatives access to your Sparkle Salon and the Premises at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with your operations of your Sparkle Salon. Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title search, lien search, survey, environmental assessment, or inspection. If you cannot or elect not to correct any such title defect, environmental objection, defect in the working condition of the Assets or any other objection, we will have the option to either accept the condition of the Assets as it exists or rescind our Purchase Notice, on or before the Closing.

21.5 **Leased Premises.** If the Premises are leased, you agree to use reasonable efforts to effect a termination of the existing Lease for the Premises. If the Lease for the Premises is assigned to us or we sublease the Premises from you, we will indemnify and hold you harmless from any ongoing liability under the Lease from the date we assume possession of the Premises, and you will indemnify and hold us harmless from any liability under the Lease prior to and including that date.

21.6 **Premises Owned by You.** If you own the Premises, we, at our option, may purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with you on terms comparable to those for which similar commercial properties in the area are then being leased; or remove the Assets from the Premises in a manner consistent with the Lease Agreement. The initial term of the Lease between you and us under such circumstances must be at least 10 years with two (2) options to renew of 5 years each, and the rent must be the fair market rental value of the Premises. If you and we cannot agree on the fair market rental value of the Premises, then local real estate appraisers (selected in the manner described in Section 21.3) will determine the rental value.

## 22. RELATIONSHIP OF THE PARTIES

22.1 **Relationship of the Parties.** ~~Regional Developer~~Franchisee and Franchisor agree and acknowledge that this Agreement is intended solely to create an independent contractor relationship between them. Nothing in this Agreement will be deemed or construed to create a joint venture, partnership, fiduciary, or agency relationship between Franchisor and Franchisee for any purpose. Except as otherwise explicitly set forth herein, Franchisor and Franchisee do not have any authority to bind or commit the other to any agreement, commitment, or obligation. Franchisor and Franchisee agree and acknowledge that Franchisee and only Franchisee shall possess and/or exercise substantial direct and immediate control over the essential terms and conditions of employment of Franchisee's employees. Franchisee is, subject to compliance with applicable local, state, and federal laws, solely responsible for: (1) setting the wages, benefits, and related compensation of Franchisee's employees; (2) setting the work schedules and hours requirements for Franchisee's employees; (3) assigning work duties to Franchisee's employees; (4) establishing, communicating, and enforcing rules, directions, means and methods of performance, and employee discipline to Franchisee's employees; (5) hiring and firing its employees; and (6) establishing and maintaining safety standards for Franchisee's employees. Franchisee shall defend, indemnify, and hold

Franchisor harmless against any and all, damages, costs, fees, expenses, settlements, payments, or liabilities incurred by Franchisor as a result of or in connection with claims, investigations, demands, suits, actions, inquiries, or allegations made by one or more of Franchisee's employees or by a governmental authority that Franchisor is, in any manner or for any purpose, a joint employer of one or more of Franchisee's employees. [WeFranchisor](#) will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your Sparkle Salon business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

22.2 No Liability for Acts of Other Party. We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of your operation of your Sparkle Salon or the business you conduct under this Agreement. Neither party, by virtue of this Agreement, will have any right, power, or authority to act or create an obligation, express or implied, on behalf of the other party. Each party assumes responsibility for the actions of their employees and will be solely responsible for the supervision, daily direction, and control, wage rates, withholding income taxes, disability benefits, or the manner and means through which the rights and obligations under this Agreement shall be performed.

22.3 Taxes. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your Sparkle Salon, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

## 23. INDEMNIFICATION

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors, and assignees ("Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of your Sparkle Salon, the business you conduct under this Agreement, or your default of this Agreement, including, without limitation, those claims alleged to be or found to have been caused by the Indemnified Parties' negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction.

For purposes of this Section 23, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that the Indemnified Parties reasonably incur in defending any claim against it, including, without limitation, reasonable accountants', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. The Indemnified Parties may defend any claim against them at your expense and agree to settlements or take any other remedial, corrective, or other actions. We have the right to designate attorneys that you must retain to defend any claims subject to this Section 23.

This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Indemnified Parties need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim

against you under this Section 23. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 23.

## 24. SEVERABILITY AND CONSTRUCTION

24.1 Severability. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

24.2 Alteration to Agreement by Rule of Law. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

24.3 No Third Party Beneficiaries. Except as otherwise provided in Section 23, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than us and you as the parties to this Agreement and our affiliates and such of our heirs, successors and assigns, any rights or remedies under or by reason of this Agreement.

24.4 Interpretation. No provision of this Agreement should be interpreted in favor of, or against any party because of the party that drafted this Agreement.

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

## 25. CONSENTS, APPROVALS AND WAIVERS

25.1 Consents. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us for that approval or consent, and any approval or consent received, in order to be effective and binding upon us, must be obtained in writing and be signed by one of our authorized officers.

25.2 Waivers. We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice. We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare a default and to terminate this Agreement before the expiration of its term) because of: any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement, or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Sparkle Salons; the existence of agreements for other Sparkle Salons which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any default of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction.

25.3 Variance by Reason of Force Majeure. If the performance of any obligation by any party under this Agreement is prevented, hindered, or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties will be relieved of their respective obligations (to the extent that the parties, having exercised commercially reasonable efforts, are prevented, hindered, or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure must give prompt written notice of such Force Majeure event to the other party by setting forth the nature of the Force Majeure and an estimate as to its duration. As used in this Agreement, the term "Force Majeure" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby. Your inability to obtain financing (regardless of the reason) may not constitute Force Majeure.

26. ENTIRE AGREEMENT. We and you acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, you and we will deal with each other in good faith. This Agreement and its attachments, the Manual, and the documents referred to in this Agreement constitute the entire, full, and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and its attachments, the Manual, and the documents referred to in this Agreement (including our Franchise Disclosure Document). Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by you and us and executed in writing. Nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

27. DISPUTE RESOLUTION.

27.1 Mediation. Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 27.1 will not bar you or us from obtaining judicial or injunctive relief for claims that are based solely on demands for monies owed, or from obtaining injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location.

27.2 Arbitration. Except insofar as we elect to enforce this Agreement or to seek temporary or permanent injunctive relief as provided above, all controversies, disputes or claims arising between us, our affiliates, owners, officers, directors, agents and employees (in their representative capacity) and you (and your Owners and guarantors) arising out of or related to: (i) this Agreement or any provision thereof or any related agreement (except for any lease or sublease with us or any of our affiliates); (ii) the relationship of the parties; (iii) the validity of this Agreement or any related agreement, or any provision thereof; or (iv) any specification, standard or operating procedure relating to the establishment or operation of the Regional Developer Business, shall be submitted for arbitration to be administered by the office of the American Arbitration Association. Such arbitration proceedings shall be conducted in Maricopa County, Arizona, and, except as otherwise provided in this Agreement, shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association then in effect. The arbitrator shall have the right to award or include in his award any relief which he or she deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, attorneys' fees, and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties to this agreement and judgment on the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such an award. The provisions of this Section are intended to benefit and limit third party non-signatories and will continue in full force and effect subsequent to the expiration or termination of this Agreement. The parties agree that arbitration shall be conducted on an individual, not a class-wide basis, and that any such arbitration shall not be consolidated with any other arbitration proceeding.

27.3 Governing Law . Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that: (1) the provisions of Section 18 shall be interpreted and construed under the laws of the jurisdiction in which your Sparkle Salon is located.

27.4 Consent to Jurisdiction and Venue. You and we agree that, to the extent any disputes cannot be resolved directly between us, you will file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where your Sparkle Salon is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

27.5 Waiver of Certain Damages and Rights. You and we waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between us, we each will be limited to the recovery of actual damages sustained. You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.

27.6 Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

27.7 Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section **Error! Reference source not found.** shall survive the expiration or earlier termination of this Agreement.

27.8 Limitations of Claims. Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of your Sparkle Salon, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

27.9 Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, your failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates, and the System. Therefore, you agree that, in the event of a default or threatened default of any of the terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that default and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any default of this Agreement.

## 28. MISCELLANEOUS

28.1 Gender and Number . All references to gender and number will be construed to include such other gender and number as the context may require.

28.2 Captions. All captions in this Agreement are intended solely for the convenience of the parties and none will be deemed to affect the meaning or construction of any provision of this Agreement.

28.3 Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original.

28.4 Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted will be the day or month of the designated action, event, or notice. Days will be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically will be extended to the next day that is not a Saturday, Sunday, or national holiday.



28.5 Delegation of Performance. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

28.6 Compliance with Anti-Terrorism Laws. You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. The term "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the rules, orders, and guidelines promulgated by the Office of Foreign Assets Control ("OFAC") and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement, as provided in Section 19.2(m) above.

29. NOTICES AND PAYMENTS. No notice, demand, request or other communication to the parties will be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and: (A) if to us, is sent to 4250 N Drinkwater Blvd, Suite 165, Scottsdale, AZ 85251 (Attn: Legal Department); or (B) if to you, is sent to the address and to the individual specified on Exhibit 4 or is sent to the Premises of your Sparkle Salon. Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first refusal of delivery) and may be: (1) delivered personally; (2) transmitted by facsimile or electronic mail to the e-mail address(es) or number(s) set forth above (or in Exhibit 4) with electronic confirmation of receipt; (3) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (4) mailed via overnight courier.

30. ACKNOWLEDGMENTS. You represent, acknowledge, and warrant to us (and you agree that these representations, acknowledgements, and warranties will survive termination of this Agreement) that:

30.1 you have independently investigated the Sparkle Salon franchise opportunity and recognize that, like any other business, the nature of the business of Sparkle Salons may, and probably will, evolve and change over time;

30.2 an investment in a Sparkle Salon involves business risks that could result in the loss of a significant portion or all of your investment;

30.3 your business abilities and efforts are vital to your success;

30.4 attracting customers for your Sparkle Salon will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising, and display and use of in-store promotional materials;

30.5 you must maintain a high level of customer service, and adhere strictly to the System and our System Standards, and that you are committed to maintaining System Standards;

30.6 you have not received from us or any person or entity representing or claiming to represent us, any representations or guarantees, express or implied, as to the potential volume, sales, income, or

profits of a Sparkle Salon, and that any financial information that may appear in our Franchise Disclosure Document is not a representation or guarantee as to potential volume, sales, income, or profits that you may achieve at a Sparkle Salon;

30.7 in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us;

30.8 you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the rights under this Agreement;

30.9 you have read this Agreement and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Sparkle Salon, and to protect and preserve the goodwill of the Marks;

30.10 you understand we may license others to operate businesses that offer dog grooming services and related retail products at Sparkle Salons and other businesses with similar and different names and marks, and these businesses may operate in close proximity to your Sparkle Salon;

30.11 we have not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement;

30.12 you have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the Sparkle Salon franchise opportunity, and that we have not refused to answer any questions, inquiries, or requests;

30.13 you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or chosen not to do so; and

30.14 we may modify the offer of our franchise opportunity to other franchisees in any manner and at any time, and these offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

**IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED AND DELIVERED THIS AGREEMENT ON THE DATES NOTED BELOW, TO BE EFFECTIVE AS OF THE EFFECTIVE DATE.**

**SPARKLE FRANCHISING LLC**

\_\_\_\_\_

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

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

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

**FRANCHISEE**

\_\_\_\_\_

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

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

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

**EXHIBIT 1  
TO THE SPARKLE SALON FRANCHISE AGREEMENT**

**FRANCHISE INFORMATION**

1. **Location of the Sparkle Salon (the "Premises") (Section 2.1):** The Sparkle Salon will be located at:

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If the Premises have not been approved in writing by us as of the Effective Date, we will insert the address of the Premises after you execute a Lease, or otherwise secure the approved site for your Sparkle Salon.

2. **The Site Selection Area (Section 5.1):** If the Premises have not been determined as of the Effective Date, we will identify the Site Selection Area on a map attached to this Exhibit 1. Your rights in the Site Selection Area are subject to the limitations described in Section 5 of the Franchise Agreement. Any boundaries contained in the description of the Site Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries and will terminate immediately, without any further action, upon your identification of a Premises for your Sparkle Salon.
3. **The Protected Territory is reflected on a map titled PROTECTED TERRITORY attached to this Exhibit 1.**
4. **The Initial Franchise Fee (Section 7):** \$

**FRANCHISEE:**

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Signature

---

By

---

Its

---

Date

## **SITE SELECTION AREA**

Your rights in the Site Selection Area are subject to the limitations described in Section 5.1 of the Franchise Agreement. Any boundaries contained in the description of the Site Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

**The Site Selection Area is depicted in the map above:**

**FRANCHISEE**  
**Initials:**

**SPARKLE FRANCHISING LLC**  
**Initials:**

## **PROTECTED TERRITORY**

Your rights in the Protected Territory are subject to the limitations described in Section 3 and 3.4. Any boundaries contained in the description of the Protected Territory will be considered fixed as of the date that you execute a Lease.

**Franchisee's Protected Territory is depicted in the map above:**

**FRANCHISEE**  
**Initials:**

**SPARKLE FRANCHISING LLC**  
**Initials:**

**EXHIBIT 2**  
**TO SPARKLE FRANCHISING LLC FRANCHISE AGREEMENT**  
**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

This Agreement to Be Bound and to Guarantee (**Agreement**), dated as of the date stated at the end of this Agreement, executed by the guarantors identified in Section 19 of this Agreement (each a “**Guarantor**”) in favor of **Sparkle Franchising LLC**, doing business as **Sparkle** (“**Franchisor**”).

WHEREAS, as an inducement for Franchisor to execute and deliver, and to perform its obligations under, that certain Franchise Agreement (“**Franchise Agreement**”), dated as of the date stated in Section 19 of this Agreement, by and between Franchisor and the Franchisee identified in Section 19 of this Agreement (“**Franchisee**”), Guarantors ~~has~~have agreed to jointly and severally guarantee the obligations of Franchisee to Franchisor and its affiliates (including, without limitation, obligations under the Franchisee Agreement (and the assignment of concession agreement, if applicable) executed in connection therewith) and to be bound by certain of the provisions contained in the Franchisee Agreement.

WHEREAS, Guarantor owns, directly or indirectly, a 20% or greater equity interest in Franchisee.

WHEREAS, Guarantor acknowledges and agrees that Franchisor will materially rely upon Guarantor’s obligations under this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the execution and delivery of the Franchisee Agreement by Franchisor, and the performance of Franchisor’s obligations thereunder, Guarantor agrees, for the benefit of Franchisor and its affiliates, as follows:

1. **GUARANTY**. Guarantor unconditionally guarantees and promises to pay to Franchisor and/or its affiliates and to perform, for the benefit of Franchisor and/or its affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Franchisee Agreement as well as any other agreements executed by Franchisee in conjunction with the Franchisee Agreement, if applicable, ~~executed in connection therewith~~ and/or any other agreement with Franchisor or its affiliates.

2. **CONFIDENTIALITY**

2.1 Guarantor acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets and other confidential and proprietary information, processes, materials and rights relating to the development, promotion and operation of the Sparkle Salon (as defined in the Franchisee Agreement), including, without limitation, Franchisor’s Manual, method of operation, processes, techniques, formulae and procedures (collectively, the “**Proprietary Information**”). Guarantor further acknowledges that the **Proprietary Information** constitutes valuable trade secrets.

2.2 Guarantor agrees not to use for any purpose or disclose or reveal (and must cause all of Franchisee’s directors, officers, and employees to not ~~to~~ use for any purpose, or disclose or reveal), during the term of this Agreement or forever thereafter, to any person any contents of Franchisor’s Manual, any **Proprietary Information** or any other information relating to the operation of the Sparkle Salon. Guarantor must fully and strictly comply with all security measures prescribed by Franchisor for maintaining the confidentiality of all **Proprietary Information**.

2.3 Guarantor acknowledges that to default her or her obligations under this Section 2 would cause damage to Franchisor and to Franchisor’s other franchisees and that Guarantor would be liable for this damage.



2.4 Notwithstanding the foregoing, Guarantor may disclose Proprietary Information to a person who is bound by the confidentiality obligations to Franchisor and the covenants contemplated by Section 18 of the Franchise Agreement, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee.

2.5 Notwithstanding the foregoing, the following will not be subject to the provisions of this Section 2

2.6 Information which is in the public domain as of the date of receipt by Franchisee;

2.7 Information which is known to Franchisee prior to the date of receipt by Franchisee;

2.8 Information which becomes known to the public without a default of the provisions of this Section 2 of the Agreement or any other agreement executed in connection with the Franchise Agreement; and

2.9 Information which is required by law to be disclosed or revealed, but only strictly to the extent required by law.

3. COVENANT NOT TO COMPETE. Guarantor acknowledges and agree that: (1) pursuant to this Agreement, you will have access to the Confidential Information; (2) the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; (3) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (4) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Sparkle Salons if ~~our franchisees were~~ Guarantor was permitted to hold interests in "Competing Businesses" (which are defined as businesses that provide dog grooming services and related products). Guarantor acknowledges that restrictions on his/her right to hold interests in or perform services for Competing Businesses will not hinder his/her activities. Guarantor expressly acknowledges that he/she possesses skills and abilities of a general nature and has other opportunities for exploiting these skills. Consequently, our enforcing the restrictions contained in this Section will not deprive Guarantor of the ability to earn a living. Guarantor therefore agrees that, during the term of the Franchise Agreement and for the "Restricted Period" following the expiration or earlier termination of this Agreement, Guarantor will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:

3.1 own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business;

3.2 divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any Sparkle Salon to a Competing Business;

3.3 For purposes of this Agreement, the term "Restricted Period" shall be ~~be~~ end two (2) years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Franchise Agreement expires or is terminated.;

3.4 During the term of the Franchise Agreement, there is no geographical limitation on the restrictions contained in this Section 3. During the Restricted Period, these restrictions will apply at the Premises; within the Protected Territory; within a 5-mile radius of the outer boundaries of the Protected Territory; and within 5 miles of any other Sparkle Salon in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement; or (ii) the date on which you begin to comply with Section 3 (the "Restricted Area");

3.5 If, at any time during the Restricted Period, you fail to comply with your obligations contained in this Section 3, that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section 3. These restrictions also apply after Transfers, as provided in the Franchise Agreement. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 3; or

3.6 If any restriction in this Section 3 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

4. RESTRICTION ON HIRING. Guarantor may not, during the term of this Agreement and for the one-year period after the expiration or termination of this Agreement for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, Franchisor or otherwise), employ, hire or engage as an independent contractor or otherwise any person who is or was (at any time during the term of this Agreement) employed or engaged as an independent contractor or otherwise by Franchisor or any of its affiliates.

5. USE OF NAME AND LIKENESS. Franchisor will be entitled to use the name, likeness, and voice of Guarantor for purposes of promoting the franchise, Franchisor, and its products, including, without limitation, all photos and audio and video recordings, and Guarantor hereby irrevocably consents thereto. Guarantor acknowledges that Franchisor will own all right, title, and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as moral rights, artist's rights, publicity rights or the like associated with such photos and audio and video recordings and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

6. INNOVATIONS. Guarantor may conceive, invent, create, design, and/or develop various ideas, techniques, methods, processes, and procedures, recipes, formulae, products, packaging, or other concepts and features relating to the manufacturing, production, marketing and sale of customized hygiene and grooming services for pet owners and related retail products or other similar services and products in connection with the Sparkle Salon (the "Innovations"). Guarantor assigns any and all of its rights, title, and interest in the Innovations, including, without limitation, any intellectual property rights, to Franchisor, and also agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto.

7. COPYRIGHTS; WORKS-FOR-HIRE; ~~SOLICITATION~~. All advertising and promotional materials generated by or for Franchisee or its officers, managers or employees for the Sparkle Salon will be deemed a work-made-for-hire, and all ownership rights, including, without limitation, any copyrights, in such advertising and promotional materials are hereby assigned to Franchisor. In addition, Guarantor will cooperate in the protecting any items or materials suitable for copyright protection by Franchisor.

Guarantor must not solicit other franchisees or Franchisees, or use the lists of franchisees and Franchisees, for any commercial or other purpose other than purposes directly related to the operation of the Sparkle Salon.

8. **GUARANTY OF PAYMENT.** This is a guaranty of payment and not of collection. This Agreement will remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally, and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally, and irrevocably performed in full.

9. **WAIVER.** Guarantor waives: (a) Any right to require Franchisor to (i) proceed against any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Franchisor may exercise or not exercise any right or remedy it has against Franchisee or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting Guarantor's liability hereunder; (b) any defenses from disability or other defense of Franchisee or from the cessation Franchisee's liabilities; (c) any setoff, defense, or counterclaim against Franchisor; (d) any defense from the absence, impairment, or loss of any right of reimbursement or subrogation or any other rights against Franchisee. Until Franchisee's obligations (except inchoate indemnification obligations) to Franchisor have been paid in full, Guarantor has no right of subrogation or reimbursement or other rights against Franchisee; (e) Any right to enforce any remedy that Franchisor has against Franchisee; (f) any rights to participate in any security held by Franchisor; (g) any demands for performance, notices of nonperformance, or of new or additional indebtedness incurred by Franchisee to Franchisor. Guarantor is responsible for being and keeping himself/herself informed of Franchisee's financial condition; (h) the benefit of any act or omission by Franchisor which directly or indirectly results in or aids the discharge of Franchisee from any of the obligations by operation of law or otherwise; (i) the benefit of California Civil Code Section 2815 permitting the revocation of this Guaranty as to future transactions and the benefit of California Civil Code Sections 2809, 2810, 2819, 2839, 2845, 2848, 2849, 2850, 2899 and 1432 with respect to certain suretyship defenses.

10. **SUBROGATION.** Guarantor hereby agrees that he/she will not exercise any rights of subrogation which he may acquire due to any payment or performance of the obligations of Franchisee pursuant to this Agreement unless and until all amounts payable to Franchisor or its affiliates, and all obligations for the benefit of Franchisor or its affiliates, shall have been validly, finally, and irrevocably paid and performed in full.

11. **REASONABLE RESTRAINTS; REMEDIES.** Guarantor acknowledges that the covenants contained in this Agreement (including, without limitation, the territorial and time restraints) are reasonable and necessary and agrees that her failure to adhere strictly to the restrictions contained herein will cause substantial and irreparable damage to Franchisor, Franchisee and to Franchisor's other franchisees. In the event of any default by Guarantor of any of the terms of this Agreement, Franchisor and/or Franchisee will be entitled to institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor and/or Franchisee may be entitled. Guarantor agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's and Franchisee's remedy at law for any default would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision hereof, without the necessity of posting bond therefor or proof of actual damages.

12. **ENFORCEABILITY.** If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Guarantor hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Agreement is independent and severable and, to the extent that any such covenant

shall be declared by a court of competent jurisdiction to be illegal, invalid, or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity, or enforceability of such covenant in any other jurisdiction.

13. NO WAIVER. No failure or delay on the part of Franchisor or its affiliates in exercising its rights hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any such right will be deemed a waiver of any other right hereunder. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges, or remedies provided by law.

14. ATTORNEYS' FEES. Guarantor will pay reasonable attorneys' fees and expenses and all other costs and expenses that may be incurred by Franchisor or its affiliates in connection with enforcing this Agreement.

15. ARIZONA LAW TO GOVERN; JURISDICTION; RIGHT TO JURY TRIAL AND CLASS ACTION WAIVED; CERTAIN DAMAGES WAIVED; STATUTE OF LIMITATIONS.

15.1 This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where your Sparkle Salon is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

15.2 GUARANTOR HEREBY WAIVES THE RIGHT TO A JURY TRIAL, WAIVES THE RIGHT TO INITIATE OR PARTICIPATE IN A CLASS ACTION IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION, AND WAIVES THE RIGHT TO SEEK OR COLLECT PUNITIVE, CONSEQUENTIAL AND SPECIAL DAMAGES IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, GUARANTOR AGREES THAT ANY CLAIMS UNDER, ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE BROUGHT WITHIN TWO YEARS OF THE DATE ON WHICH THE UNDERLYING CAUSE OF ACTION ACCRUED, AND GUARANTOR HEREBY WAIVES ANY RIGHT TO BRING ANY SUCH ACTION AFTER SUCH TWO-YEAR PERIOD.

15.3 Binding Nature of Agreement. This Agreement will be binding upon Guarantor and her respective successors, heirs and assigns and will inure to the benefit of Franchisor, its affiliates and their respective successors and assigns.

15.4 Joint and Several. If more than one person signs this Agreement as a Guarantor, her, her, or its obligation will be joint and several.

15.5 Entire Agreement; Amendment. This Agreement contains the entire agreement and understanding between the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements, and conditions, express or implied, oral, or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by each of the parties. The provisions of Section 15.5 are not intended to, nor will they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law [or under](#)

the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder.

## SIGNATURE PAGE

Date of Franchisee Agreement: \_\_\_\_\_

Printed Name(s) of Guarantor(s): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

## GUARANTORS

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Date \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Date \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Date \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(Print Name)

Date \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

### EXHIBIT 3 TO FRANCHISE AGREEMENT RIDER TO LEASE

This Rider to Lease (“**Rider**”), dated \_\_\_\_\_, 20\_\_, is made by and between \_\_\_\_\_ (“**Tenant**” or “**Franchisee**”) and \_\_\_\_\_ (“**Landlord**”). Each of Tenant and Landlord may individually be referred to as a “**party**” and collectively, as the “**parties**.”

#### RECITALS

A. This Rider (including these Recitals) supplements and forms a part of the attached lease agreement (**Attachment A**) between the Landlord and the Tenant dated \_\_\_\_\_ (the “**Lease**”) for the premises (the “**Premises**”) situated in the shopping center (the “**Center**”) known as \_\_\_\_\_, and located in \_\_\_\_\_, \_\_\_\_\_ [city/state] to be used by the Tenant as ~~an~~ Sparkle Salon franchised business (the “**Business**”).

B. This Rider is entered into in connection with approval of SPARKLE FRANCHISING LLC, an Arizona limited liability company (“**Franchisor**”) of the location of the Premises for the Business and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”).

C. This Rider is intended to provide Franchisor with rights as a third-party beneficiary to the Lease and to provide Franchisor with the opportunity to reserve the Premises as a Sparkle Salon in accordance with the terms of this Rider.

Notwithstanding anything contained in the Lease to the contrary, the parties agree to the following terms and conditions, which shall be part of the Lease and shall control in the event of a conflict with any other provisions of the Lease.

1. **Default by Tenant.** Landlord agrees to send to Franchisor copies of any notices of default simultaneously with the delivery of such notices to Tenant. Prior to exercising any remedies in the Lease (except in the event of imminent danger to the Premises), Franchisor shall have fifteen (15) additional days to the established cure period given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than: (i) fifteen (15) days after Franchisor’s receipt of such notice as to monetary defaults; or (ii) thirty (30) days after Franchisor’s receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure of any default tendered by Franchisor as if the same was tendered by Tenant. Notwithstanding the foregoing, Franchisor has no obligation to cure such default. All notices to Franchisor must be sent by overnight courier or by certified mail, postage prepaid, to the following address: SPARKLE FRANCHISING LLC, 4250 N Drinkwater Blvd, Suite 165, Scottsdale, AZ 85251, (480) 550-8159, hello@sparkledogcare.com.

2. **Collateral Assignment of Lease (“Assignment”).**

(a) Subject to the provisions of this Assignment, Tenant, to secure its obligations to Franchisor to affect various provisions of the Franchise Agreement, and for other reasons, hereby assigns, transfers, and sets over unto Franchisor and/or such person(s)/entity(ies) as Franchisor may from time to time designate, all of Franchisee's right, title and interest, whether as Tenant or otherwise, in, to, and under the Lease for the Premises between Franchisee and Landlord, respecting that property commonly known as the Sparkle Salon (“Sparkle Salon”). Franchisor shall have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, or otherwise (including, but not limited to, any obligation to pay rent and/or other amounts) until and unless Franchisor, in its reasonable discretion, takes possession of the Sparkle Salon pursuant to the terms hereof and expressly (in writing) assumes the rights and obligations



of Franchisee under the Lease and, in such an event Franchisor shall only be responsible for those obligations accruing after the date of such assumption.

(b) Franchisor will not take possession of the Sparkle Salon until and unless Franchisee defaults, and/or receives notice of default, (and/or until there is a termination, cancellation, or rescission of Franchisee's rights) under the Lease, any sublease, Franchise Agreement, any other document, or instrument, or otherwise. In such event, Franchisor (or its designee) shall have the right (but not the obligation) to take possession of the Sparkle Salon, expel Franchisee from the Sparkle Salon, and, in such event, Franchisee shall have no further right, title or interest in or under the Lease or to the Sparkle Salon, all such rights thereby passing to Franchisor or its designee, in each case without Landlord's further consent. Franchisee agrees to do all acts necessary or appropriate to accomplish such assignment on Franchisor's request.

(c) Franchisee will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Franchisor. Throughout the term of the Franchise Agreement, Franchisee agrees that it shall elect and exercise all options to extend the term of, or renew or assume in bankruptcy, the Lease not less than 30 days prior to the last day that any option must be exercised, unless Franchisor otherwise agrees in writing. If Franchisee fails to extend, renew, or assume the Lease, Franchisee hereby appoints Franchisor as its true and lawful attorney-in-fact to exercise such options for the sole purpose of effecting any extension, renewal, or assumption, in each case for the account of Franchisee and without any liability or obligation of Franchisor.

(d) Franchisor's failure to exercise any remedy hereunder shall not be construed or deemed a waiver of any of its rights hereunder. The rights and remedies of Franchisor under this Assignment are cumulative and are not in lieu of, but are in addition to, any other rights and remedies which Franchisor shall have under or by virtue of the Franchise Agreement or otherwise. The terms, covenants, and conditions contained herein shall bind Franchisee, and inure to the benefit of Franchisor, and their respective successors and assigns. In the event of any dispute between the parties regarding this Assignment, or any matter related in any way to it, the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Franchise Agreement between Franchisor and Franchisee shall apply. If there is more than one Franchisee, their obligations hereunder will be joint and several.

3. **Expiration of Lease Term.** Landlord agrees that all unexercised renewal or extension rights shall not be terminated in the event of any Assignment referenced in Section 2 above but shall inure to the benefit of the applicable assignee. Furthermore, if the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), Landlord shall give Franchisor written notice to this effect and Franchisor shall have the option for thirty (30) days following receipt of such notice to exercise Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If Franchisor elects to exercise such right(s) it shall notify Landlord in writing whereupon Landlord and Franchisor shall promptly execute and exchange an agreement whereby Franchisor assumes the Lease effective at the date of termination of any holding over period by Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

4. **Non-Disturbance.** Notwithstanding anything contained in the Lease to the contrary, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt, or similar encumbrance on the Premises, that the holder of such encumbrance agree not to disturb Tenant's rights under the Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to this Rider).

5. **Landlord's Lien.** Any security interest and/or Landlord's lien in Tenant's trade fixtures, 'trade dress,' equipment and other personal property in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items. The parties acknowledge that there may be certain personal property in the Premises which are not owned by Tenant, which property shall not be subject to any lien of Landlord. Upon request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

6. **Landlord Agreements.** Landlord acknowledges and agrees as follows.

(a) Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability or in any way bind Franchisor or any affiliate of Franchisor and that Landlord has entered into the Lease with a full understanding that it creates no duties, obligations, or liabilities of or against Franchisor or any affiliate of Franchisor.

(b) Landlord shall have no approval over Franchisor's designated business formats, methods, procedures, designs, layouts, standards, and specifications, all of which Franchisor may further develop, change, discontinue, or otherwise modify from time to time in Franchisor's sole discretion (the "**Franchise System**"), display of Tenant's Business name and logos ("**Business Marks**") at the Premises, and may not use the Business Marks for any purpose.

(c) During the term of the Lease, Franchisor may mandate certain remodeling of the interior of the Premises and Landlord shall permit such remodeling so long as the remodeling does not affect the Premises structure or systems.

(d) Franchisor is the sole owner of all right, title, goodwill, and interest in and to the Franchise System. All improvements, developments, adaptations, derivative works, enhancements, or modifications to the Franchise System made or created by any third party whether developed separately or in conjunction with Franchisor, is owned solely by Franchisor.

(e) Landlord grants Tenant the unrestricted right during the initial term and any renewal term of the Lease to assign or sublet the Lease to Franchisor or a franchisee or licensee of Franchisor, and without a recapture right, payment of any assignment fee or similar charge, or increase in any rentals payable to Landlord.

(f) The Lease may not be assigned, subleased, modified, or amended without Franchisor's prior written consent.

(g) Franchisor has right of first refusal over any assignee.

(h) Franchisor shall be provided with copies of all assignments, subleases, modifications, and amendments.

7. **Additional Provisions.**

(a) If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension or renewal of the Lease, and if Franchisor shall desire to assume the Lease, Franchisor shall promptly give the Landlord written notice to this effect.

(b) Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of the Premises as provided in the Franchise Agreement and, if it

chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease.

(c) Franchisor has the right to enter the Premises to make any modifications or alterations necessary to protect the Franchise System and the Business Marks, to cure, within the time periods provided by the Lease, any default under the Lease, all without being guilty of trespass or other tort.

(d) Upon and within ten (10) days of the expiration or earlier termination of the Lease for any reason, Tenant, shall, at its own expense, remove all signs and other material bearing the Business Marks or trademarks, service marks or other commercial symbols of Franchisor, and to otherwise to “de-identify” the Premises, as Franchisor reasonably believes necessary or appropriate for the protection of Franchisor’s interest in the Business Marks, trademarks, trade names, service marks, copyrights or other proprietary rights, including designs and color schemes which are basically different from Franchisor’s authorized design and painting schedule; provided Tenant shall repair any damage to the Premises caused by any removal thereof.

(e) Further, upon and within ten (10) days of the expiration or earlier termination of the Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises without being guilty of trespass or to for the purpose of performing the work in Section 6(c); provided Franchisor shall repair any damage to the Premises caused by any removal thereof.

(f) Tenant agrees that the Lease may not be terminated, extended, modified, or amended without Franchisor’s prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor’s prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments and a fully executed copy of the Lease and this Rider.

8. Confidentiality. The parties acknowledge and agree that the release or unauthorized use or disclosure of the terms of this Rider will have a detrimental effect on the other parties. Accordingly, each party agrees to keep confidential the terms of this Rider or the negotiations leading to its execution; provided, however, that (a) disclosure may be made pursuant to a court order, legal process, or other requirement of any law or authorized regulatory body, and (b) this Rider may be disclosed to Franchisor and/or the parties’ respective attorneys, accountants, officers, directors, and managers. The parties acknowledge that in the event of a breach of this Section, damages may not be an adequate remedy, and the non-breaching party shall be entitled to, in addition to any other rights and remedies available under law or in equity, injunctive relief to restrain any such breach, threatened or actual, without proof of irreparable injury and without the necessity of posting bond even if otherwise normally required.

9. Amendments. No amendment or variation of the terms of this Rider is valid unless made in writing and signed by the parties and the parties have obtained Franchisor’s written consent. Except as amended or modified by this Rider, all of the terms, conditions, and covenants of the Lease remain in full force and effect.

BY EXECUTING THIS RIDER TO THE LEASE, LANDLORD AGREES THAT FRANCHISOR DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL FRANCHISOR EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATIONS AS DESCRIBED ABOVE IN WRITING. FURTHERMORE, LANDLORD HEREBY RELEASES, WAIVES AND FOREVER DISCHARGES ANY AND ALL LIABILITY, CLAIMS, AND DEMANDS OF WHATEVER KIND OR NATURE AGAINST THE FRANCHISOR, THE MEMBERS AND AFFILIATES OF FRANCHISOR, AND THEIR RESPECTIVE DIRECT AND INDIRECT, PAST, PRESENT AND FUTURE OFFICERS, DIRECTORS, MANAGERS, MEMBERS, PARTNERS, OWNERS, EMPLOYEES, LICENSEES, SUCCESSORS, AND ASSIGNS

(COLLECTIVELY, THE “RELEASEES”), EITHER IN LAW OR IN EQUITY, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, INCLUDING BUT NOT LIMITED TO THE NEGLIGENCE, FAULT OR MISCONDUCT OF ANY KIND ON THE PART OF THE RELEASEES FOR DAMAGES OR CAUSES OF ACTION, INCLUDING BUT NOT LIMITED TO DEATH, BODILY OR PERSONAL INJURY, ILLNESS, ECONOMIC LOSS OR OUT OF POCKET EXPENSES, OR LOSS OR DAMAGE TO PROPERTY ARISING OUT OF THE LEASE AND THIS RIDER.

IN WITNESS WHEREOF, the parties have executed this Rider as of the date written above.

**LANDLORD**

**TENANT or FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

## EXHIBIT 4 TO FRANCHISE AGREEMENT

### OWNERSHIP INTERESTS IN FRANCHISEE

**Effective Date:** This Exhibit 4 is current and complete as of \_\_\_\_\_

**1. Form of Ownership.**

**(a) Individual Proprietorship.** Your owner(s) (is) (are) as follows:

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

**(b) Corporation, Limited Liability Company, or Partnership.** You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. The following is a list of your directors, if applicable, and officers as of the Effective Date shown above:

| Name of Each Director/Officer | Position(s) Held |
|-------------------------------|------------------|
| _____                         | _____            |
| _____                         | _____            |

**2. Owners.** The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

| Owner's Name | Percentage/Description of Interest |
|--------------|------------------------------------|
| _____        | _____ %                            |
| _____        | _____ %                            |
| _____        | _____ %                            |
| _____        | _____ %                            |

**3. Contact Information of Person to Receive Notice for You**

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

**Address:** \_\_\_\_\_

**Email Address:** \_\_\_\_\_

**Phone Number:** \_\_\_\_\_

**Cell Phone Number:** \_\_\_\_\_

**4. Operating Principal.** Your Operating Principal is \_\_\_\_\_

**5. General Manager.** If applicable, your General Manager is \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**EXHIBIT 5 TO FRANCHISE AGREEMENT  
FRANCHISEE COMPLIANCE QUESTIONNAIRE**

**This Questionnaire does not apply to franchises who intend to operate the franchised business in the State of California. Do not complete this Questionnaire or respond to any of the questions contained in the Questionnaire if you intend to operate the franchised business in the State of California.**

**Maryland franchisees are not to sign the Questionnaire if they are a resident of Maryland or the business is to be operated in Maryland.**

**Do not sign this questionnaire if you are a resident of the state of Washington or if the business is to be operated in the state of Washington.**

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

| Question                                                                                                                                                                                                                                                                                                                                                  | Yes | No |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?                                                                                                                                                                                                                                         |     |    |
| 2. Have you received and personally reviewed the Disclosure Document we provided?                                                                                                                                                                                                                                                                         |     |    |
| 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?                                                                                                                                                                                                                                                                |     |    |
| 4. Do you understand all of the information contained in the Disclosure Document and all of the terms of the Franchise Agreement?                                                                                                                                                                                                                         |     |    |
| 5. Have you reviewed the Disclosure Document and the Franchise Agreement with a lawyer, accountant, or other professional advisor?                                                                                                                                                                                                                        |     |    |
| 6. Have you discussed the benefits and risks of developing and operating a Sparkle Salon with existing Sparkle franchisees?                                                                                                                                                                                                                               |     |    |
| 7. Do you understand the risks of developing and operating a Sparkle Salon?                                                                                                                                                                                                                                                                               |     |    |
| 8. Do you understand that the success or failure of your Sparkle Salon will depend in large part upon your skills, abilities, and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace? |     |    |
| 9. Do you understand that, subject to applicable state law, any applicable mediation, arbitration, or litigation must take place in Massachusetts?                                                                                                                                                                                                        |     |    |
| 10. Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the costs involved in operating a Sparkle Salon, or otherwise, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?                     |     |    |

| Question                                                                                                                                                                                                                                                                                                                                                                                                                                               | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 11. Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn or the total amount of revenue a Sparkle Salon will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document? |     |    |
| 12. Do you understand that the Franchise Agreement and the exhibits to the Franchise Agreement and the Disclosure Document contain the entire agreement between us and you concerning your purchase of a Sparkle Salon and that any oral or written statements, if any, not contained in the Franchise Agreement or Disclosure Document will not be binding?                                                                                           |     |    |

EXPLANATION OF ANY NEGATIVE RESPONSES. PLEASE PROVIDE ADDITIONAL PAGES IF NECESSARY [REFER TO QUESTION NUMBER]:

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YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION AND STATEMENT CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS AND STATEMENTS.

FRANCHISE APPLICANT

Signed \_\_\_\_\_

Printed Name \_\_\_\_\_

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



**EXHIBIT 6 TO FRANCHISE AGREEMENT  
EFT AUTHORIZATION FORM**

\_\_\_\_\_  
\_\_\_\_\_  
(Name of Person or Legal Entity)  
(ID Number)

The undersigned depositor (“Depositor” or “Business”) hereby authorizes SPARKLE FRANCHISING, LLC (“Franchisor”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“Depository” or “Bank”) to debit or credit such account(s) according to Franchisor’s instructions. A voided check to the Depositor’s account must be included with this EDTA form.

|                                  |                         |                   |
|----------------------------------|-------------------------|-------------------|
| _____<br>Depository              | _____<br>Branch         |                   |
| _____<br>City                    | _____<br>State          | _____<br>Zip Code |
| _____<br>Bank Transit/ABA Number | _____<br>Account Number |                   |

This authority is to remain in full force and effect until 60 days after Franchisor has received written notification from Business of its termination or expiration.

\_\_\_\_\_

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

Attach a voided check to Depositor’s account here

**EXHIBIT 7 TO FRANCHISE AGREEMENT  
STATE-SPECIFIC ADDENDA**

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR CALIFORNIA FRANCHISEES**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the ~~F~~franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR ILLINOIS FRANCHISEES**

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

## **ADDENDUM TO FRANCHISE AGREEMENT REQUIRED FOR MARYLAND FRANCHISEES**

The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; (C) part or all of the Protected Territory is located in the State of Maryland; and/or (D) the Sparkle Salon will be located or operated in the State of Maryland.

The following sentences are added to the end of Sections 16.2(i) and 17:

~~This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.~~

The following sentence is added to the end of Section 27.4:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The following sentence is added to the end of Section 27.8:

~~This limitation of claims provision shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim.~~ Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Section 30 of the Franchise Agreement is deleted in its entirety.

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its rights to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this form selection requirement is legally enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between SPARKLE FRANCHISING LLC (“Sparkle Franchising”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Minnesota; (B) you are a resident of the State of Minnesota; and/or (C) the Sparkle Salon will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Section 17:

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. The following sentence is added to the end of Section 4.2:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that a franchisee be given 180 days’ notice for non-renewal of the Franchise Agreement.

4. The following sentence is added to the end of Section 13.2(f):

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of this Agreement and the System.

5. The following sentence is added as Section 19.3:

(D) With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivision 3, 4, and 5 which requires, except in certain cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement.

6. The following sentences are added to the end of Sections ~~0~~-27.4:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. The second sentence of Section 27.5 is deleted and replaced with the following sentence:

You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits.

8. The second sentence of Section 27.9 is deleted and replaced with the following sentence:



Therefore, you agree that, in the event of a default or threatened default of any of the terms of this Agreement by you, we are entitled to seek injunctive relief (both preliminary and permanent) restraining that default and/or to specific performance. A court will determine if a bond or security must be posted.

9. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

10. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR ~~VIRGINIA~~NORTH DAKOTA FRANCHISEES**

1. The following is added to Item 17(c) of the Disclosure Document and the Franchise Agreement.

The Commission of Securities of North Dakota has determined that requiring a franchisee to sign a general release upon renewal of a franchise agreement is unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee sign a general release as a condition of renewing the franchise agreement is deleted.

2. The following is added to Item 17(i) of the Disclosure Document and the Franchise Agreement.

The Commission of Securities of North Dakota has determined that requiring a franchisee to consent to termination or liquidated damages in a franchise agreement is unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee consent to termination or liquidated damages is deleted.

3. The following is added to the Item 17(r) of the Disclosure Document and the Franchise Agreement.

The Commission of Securities of North Dakota has determined that certain covenants restricting competition may be contrary to Section 9-08-06 of the North Dakota Century Code. Any covenants against competition shall be subject to this section of the North Dakota Century Code. Covenants not to compete such as those mentioned in Item 17(r) and in the Franchise Agreement are generally considered unenforceable in North Dakota.

4. The following is added to Item 17(u) of the Disclosure Document and the Franchise Agreement.

We agree that the place of arbitration will be a location that is in close proximity to the site of your Salon.

5. The Disclosure Document and Franchise Agreement requires that you consent to the jurisdiction of a court in close proximity to our principal executive offices. This provision may not be enforceable under North Dakota Franchise Investment Law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

6. The following is added to the Disclosure Document and Franchise Agreement.

We agree that the laws of the State of North Dakota will govern the construction and interpretation of your Franchise Agreement.

7. The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. The Commission of Securities of North Dakota has determined that a requirement requiring the waiver of a trial by jury to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota.

8. To the extent any provision of your Franchise Agreement requires franchisee to consent to a waiver of exemplary and punitive damages, the Commission of Securities of North Dakota has determined that these types of provisions to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota and will be deemed null and void.

9. The Franchise Agreement requires the franchisee to consent to a limitation of claims period within one year. The Commissioner had determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is governed by North Dakota law.

10. The Franchise Agreement requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

11. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the Ffranchisor. - This provision supersedes any other term of any document executed in connection with the franchise.

12. Based upon the franchisor's financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

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

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

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

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

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

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



**WASHINGTON-ADDENDUM TO THE FRANCHISE AGREEMENT,  
AND RELATED AGREEMENTS REQUIRED FOR SOUTH DAKOTA FRANCHISEES**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

~~RCW 19.100.180 may supersede the franchise agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.~~

~~In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

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

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of Franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~The State of Washington has imposed a financial condition under which the~~Payment of Initial Franchise/Development Fees due ~~will be deferred until Franchisor has fulfilled~~met ~~its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.~~to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the South Dakota Securities Regulation Office due to Franchisor's financial condition.

**SPARKLE FRANCHISING LLC****FRANCHISEE**

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

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

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

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

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

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

~~Pursuant to RCW 19.100.010, a franchisee who receives financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.~~

~~The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents Franchisor and is paid a fee for referring prospects to Franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting Franchisor's current and former franchisees to ask them about their experience with Franchisor.~~

~~Pursuant to RCW 19.100, the General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, and the rules adopted thereunder.~~

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR VIRGINIA FRANCHISEES**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for **Sparkle Franchising, LLC** for use in the Commonwealth of Virginia shall 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 grounds for default or termination stated in the [franchise agreement] does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the ~~F~~franchisor. - This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**EXHIBIT C**  
**OPERATIONS MANUAL TABLE OF CONTENTS**



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**EXHIBIT D**  
**FINANCIAL STATEMENTS**



**CliftonLarsonAllen LLP**  
20 East Thomas Road, Suite 2300  
Phoenix, AZ 85012-3111

**phone** 602-266-2248 **fax** 602-266-2907  
**CLAconnect.com**

## **INDEPENDENT AUDITORS' ACKNOWLEDGMENT**

Sparkle Franchising LLC  
Gilbert, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated April 29, 2025, issued by Sparkle Franchising LLC (Franchisor) of our report dated April 29, 2025, relating to the financial statements of Franchisor as of December 31, 2024 and January 31, 2024, and for the period from February 1, 2024 through December 31, 2024.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
April 29, 2025

**SPARKLE FRANCHISING LLC**  
**FINANCIAL STATEMENTS**  
**PERIOD FROM FEBRUARY 1, 2024 THROUGH**  
**DECEMBER 31, 2024 AND JANUARY 31, 2024**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAAconnect.com](https://CLAAconnect.com)

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## INDEPENDENT AUDITORS' REPORT

Member  
Sparkle Franchising LLC  
Gilbert, Arizona

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Sparkle Franchising LLC, which comprise the balance sheets as of December 31, 2024 and January 31, 2024, and the related statements of operations and changes in member's equity (deficit), and cash flows for the period from February 1, 2024 through December 31, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Sparkle Franchising LLC as of December 31, 2024 and January 31, 2024, and the results of its operations and its cash flows for the period from February 1, 2024 through December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Sparkle Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sparkle Franchising LLC's ability to continue as a going concern for one year after the date the financial statement is available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sparkle Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sparkle Franchising LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
April 29, 2025

**SPARKLE FRANCHISING LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND JANUARY 31, 2024**

|                                                           | December 31,<br>2024     | January 31,<br>2024      |
|-----------------------------------------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                             |                          |                          |
| <b>CURRENT ASSETS</b>                                     |                          |                          |
| Cash and Cash Equivalents                                 | \$ 104,062               | \$ 250,000               |
| Prepaid Expenses                                          | 30,879                   | -                        |
| Deferred Commissions, Current Portion                     | 10,823                   | -                        |
| Total Current Assets                                      | <u>145,764</u>           | <u>250,000</u>           |
| <b>PROPERTY AND EQUIPMENT, NET</b>                        | 20,252                   | -                        |
| <b>WEBSITE DEVELOPMENT COSTS</b>                          | 56,985                   | -                        |
| <b>NONCURRENT ASSETS</b>                                  |                          |                          |
| Deferred Commissions, Net of Current Portion              | <u>93,565</u>            | <u>-</u>                 |
| Total Assets                                              | <u><u>\$ 316,566</u></u> | <u><u>\$ 250,000</u></u> |
| <b>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>          |                          |                          |
| <b>CURRENT LIABILITIES</b>                                |                          |                          |
| Accounts Payable                                          | \$ 16,544                | \$ -                     |
| Accrued Expenses                                          | 30,632                   | -                        |
| Current Portion of Deferred Area Representative Fees      | 107,229                  | -                        |
| Total Current Liabilities                                 | <u>154,405</u>           | <u>-</u>                 |
| <b>LONG TERM LIABILITIES</b>                              |                          |                          |
| Deferred Franchise Fees                                   | 136,000                  | -                        |
| Deferred Area Representative Fees, Net of Current Portion | 928,730                  | -                        |
| Total Long-Term Liabilities                               | <u>1,064,730</u>         | <u>-</u>                 |
| Total Liabilities                                         | 1,219,135                | -                        |
| <b>MEMBER'S EQUITY (DEFICIT)</b>                          | <u>(902,569)</u>         | <u>250,000</u>           |
| Total Liabilities and Members' Equity (Deficit)           | <u><u>\$ 316,566</u></u> | <u><u>\$ 250,000</u></u> |

See accompanying Notes to Financial Statement.

**SPARKLE FRANCHISING LLC**  
**STATEMENT OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)**  
**PERIOD FROM FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024**

|                                         |                            |
|-----------------------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |
| Area Representative Fees                | \$ 36,329                  |
| Other Revenues                          | 6,423                      |
| Total Revenues                          | <u>42,752</u>              |
| <b>COST OF GOODS SOLD</b>               | <u>5,261</u>               |
| <b>GROSS PROFIT</b>                     | 37,491                     |
| <b>OPERATING EXPENSES</b>               | <u>1,133,637</u>           |
| <b>LOSS FROM OPERATIONS</b>             | (1,096,146)                |
| Member's Equity - Beginning of Period   | 250,000                    |
| Distributions to Members                | <u>(56,423)</u>            |
| <b>MEMBER'S DEFICIT - END OF PERIOD</b> | <u><u>\$ (902,569)</u></u> |

*See accompanying Notes to Financial Statements.*



**SPARKLE FRANCHISING LLC**  
**STATEMENT OF CASH FLOWS**  
**PERIOD FROM FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|                                           |                |
|-------------------------------------------|----------------|
| Net Loss                                  | \$ (1,096,146) |
| Reconciliation of Net Loss to Net Cash    |                |
| Depreciation and Amortization             | 3,875          |
| Amortization of Deferred Commission Costs | 3,858          |
| Changes in Assets and Liabilities:        |                |
| Prepaid Expenses                          | (30,879)       |
| Deferred Commissions                      | (108,246)      |
| Accrued Expenses                          | 30,632         |
| Accounts Payable                          | 16,544         |
| Deferred Area Representative Fees         | 1,035,959      |
| Deferred Franchise Fees                   | 136,000        |
| Net Cash Used by Operating Activities     | <u>(8,403)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                        |                 |
|----------------------------------------|-----------------|
| Costs Incurred for Website Development | (56,985)        |
| Purchase of Property and Equipment     | <u>(24,127)</u> |
| Net Cash Used by Investing Activities  | (81,112)        |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                      |                 |
|----------------------|-----------------|
| Member Distributions | <u>(56,423)</u> |
|----------------------|-----------------|

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(145,938)

Cash and Cash Equivalents - Beginning of Period

250,000

**CASH AND CASH EQUIVALENTS - END OF PERIOD**

\$ 104,062

*See accompanying Notes to Financial Statements.*

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024**  
**AND JANUARY 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principal Business Activity**

Sparkle Franchising LLC (the Company) was formed on December 18, 2023 in the state of Arizona. The Company is wholly owned by its parent company, Sparkle Grooming Corp. (the Parent). The Company was established for the purpose of selling franchises under the Sparkle Grooming brand.

**Basis of Presentation**

The Company's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Estimates and Assumptions**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

**Property and Equipment**

Property and equipment are initially recorded at cost. These assets are depreciated using the straight-line method over their estimated useful lives, generally five years.

**Website Costs**

Expenditures for website development costs during preliminary project and post-implementation phases are expensed as incurred. Capitalization of website cost occurs during the development stage. Once a project has reached development, internal and external costs, if direct and incremental, are capitalized until the website is substantially complete and ready to be placed into service. The Company capitalized \$56,985 of website costs during the period February 1, 2024 through December 31, 2024, of which all was still in-process as of December 31, 2024. Amortization of website development costs is provided using a straight-line method over the estimated useful life, generally three years.

**Deferred Commissions**

Certain franchise agreements are associated with a commission paid upon signing of the agreement. The amount is equal to 10% of the area representation agreement or \$1,500 for each individual franchise agreement. These are considered costs to obtain a contract. As these are costs associated with the licensing of intellectual property as described above, the Company amortizes the costs over the franchise term of 10 years on a straight-line basis.

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024**  
**AND JANUARY 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Franchise Fee and Area Representative Revenue**

Deferred franchise fee and area representative revenue represent franchise fee and area representative fees received that have not been fully earned and will be recognized in future periods.

**Advertising Costs**

Advertising costs include franchise and area representative sales marketing, and advertising costs. These costs are expensed as incurred. Advertising cost for the period February 1, 2024 through December 31, 2024 was \$120,479.

**Revenue Recognition**

The Company generates revenue primarily through royalties, franchise fees, area rep fees, and technology fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

**Royalties**

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 7% of net sales. Royalties are calculated as a percentage of sales over the term of the franchise agreement. The franchise agreement royalties represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties are collected weekly. During the period February 1, 2024 through December 31, 2024, two franchise agreements and six regional developer agreements were signed, but no locations were open as of December 31, 2024.

**Technology Fees**

The Company collects Technology fees, as stipulated in the franchise agreement, currently \$750 and \$250 per month for franchise locations and regional developers, respectively. The Technology Fee provides the franchisee access, maintenance, and support for required software applications, e-mail service, music, integrations, collaborations, intranet, and other technology services that are determined solely by the Company.

**Technology Equipment**

Prior to opening a Sparkle Salon, franchisees are required to purchase and install the Sparkle Franchising computer, router, network, hardware, and associated software including required appointment and account software (the Salon System). Franchisees are also required to pay a Technology Start Up Fee, which can change upon written notice from the Company.

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024**  
**AND JANUARY 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Franchise Fees

The Company generally requires the entire nonrefundable initial franchise fee to be paid upon execution of the franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include: training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company generally does not provide financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

Area Representative Fees

The Company has an area representative program where area representatives are granted an exclusive geographical territory and commit a minimum development obligation within that defined territory. Area representative fees paid to the Company are nonrefundable and are recognized as revenue ratably on a straight-line basis over the term of the agreement, which is considered upon executive of the agreement. The Company's services under area representative agreements include training and general operational support of the area representative. The services provided by the Company are highly interrelated with the development of the territory and resulting franchise licenses sold by the area representative and as such are considered to represent a single performance obligation.

The following is a summary of contract liabilities as of:

|                                   | December 31,<br>2024 | January 31,<br>2024 |
|-----------------------------------|----------------------|---------------------|
| Deferred Franchise Fees           | \$ 136,000           | \$ -                |
| Deferred Area Representative Fees | 1,035,959            | -                   |

**Income Taxes**

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2024, management of the Company does not believe it has any uncertain tax positions.

**Subsequent Events**

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through April 29, 2025, the date the financial statement was available to be issued.

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 1, 2024 THROUGH DECEMBER 31, 2024**  
**AND JANUARY 31, 2024**

**NOTE 2 PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following at December 31, 2024:

|                                                                             | <u>Amount</u>           |
|-----------------------------------------------------------------------------|-------------------------|
| Office Equipment                                                            | \$ 24,127               |
| Less: Accumulated Depreciation and Amortization                             | <u>(3,875)</u>          |
| Property and Equipment, Net of Accumulated<br>Depreciation and Amortization | <u><u>\$ 20,252</u></u> |

Depreciation and amortization expense for the period February 1, 2024 through December 31, 2024 was \$3,875.

**NOTE 3 DEFERRED COMMISSION COSTS**

Estimated future deferred commission costs is as follows as of December 31, 2024:

| <u>Year Ending December 31,</u> | <u>Amount</u>            |
|---------------------------------|--------------------------|
| 2025                            | \$ 10,823                |
| 2026                            | 10,823                   |
| 2027                            | 10,823                   |
| 2028                            | 10,823                   |
| 2029                            | 10,823                   |
| Thereafter                      | <u>50,273</u>            |
| Total                           | <u><u>\$ 104,388</u></u> |

Commission cost amortization expense for the period February 1, 2024 through December 31, 2024 was \$3,858, which is included in operating expenses in the accompanying statement of operations and member's equity (deficit).



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**CliftonLarsonAllen LLP**  
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**CLAconnect.com**

## **INDEPENDENT AUDITORS' ACKNOWLEDGMENT**

Sparkle Franchising LLC  
Gilbert, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated March 1, 2024, issued by Sparkle Franchising LLC (Franchisor) of our report dated February 28, 2024, relating to the balance sheet of Franchisor as of January 31, 2024.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 1, 2024

**SPARKLE FRANCHISING LLC**  
**FINANCIAL STATEMENT**  
**JANUARY 31, 2024**



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## INDEPENDENT AUDITORS' REPORT

Member  
Sparkle Franchising LLC  
Gilbert, Arizona

### Report on the Audit of the Financial Statement

#### ***Opinion***

We have audited the accompanying balance sheet of Sparkle Franchising LLC as of January 31, 2024, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Sparkle Franchising LLC as of January 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Sparkle Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statement***

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sparkle Franchising LLC's ability to continue as a going concern for one year after the date the financial statement is available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sparkle Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sparkle Franchising LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 28, 2024

**SPARKLE FRANCHISING LLC**  
**BALANCE SHEET**  
**JANUARY 31, 2024**

**ASSETS**

Current Assets

Cash and Cash Equivalents

\$ 250,000

Total Assets

\$ 250,000

**MEMBER'S EQUITY**

\$ 250,000

Total Member's Equity

\$ 250,000

*See accompanying Notes to Financial Statement.*

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principal Business Activity**

Sparkle Franchising LLC (the Company) was formed on December 18, 2023 in the state of Arizona. The Company is wholly owned by its parent company, Sparkle Grooming Corp. (the Parent). The Company was established for the purpose of selling franchises under the Sparkle Grooming brand. As of January 31, 2024, the Company does not have any franchised locations.

**Basis of Presentation**

The Company's balance sheet has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

**Revenue Recognition**

The Company generates revenue primarily through royalties, franchise fees, and advertising fund fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

As of January 31, 2024, the Company does not have any franchised locations; therefore, no revenues have been recognized.

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of January 31, 2024, management of the Company does not believe it has any uncertain tax positions.

**Subsequent Events**

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through February 28, 2024, the date the financial statement was available to be issued.





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## **INDEPENDENT AUDITORS' ACKNOWLEDGMENT**

Sparkle Franchising LLC  
Gilbert, Arizona

We agree to the inclusion in the Franchise Disclosure Document dated March 1, 2024, issued by Sparkle Franchising LLC (Franchisor) of our report dated February 28, 2024, relating to the balance sheet of Franchisor as of January 31, 2024.

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 1, 2024



**SPARKLE FRANCHISING LLC**  
**FINANCIAL STATEMENT**  
**JANUARY 31, 2024**



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## INDEPENDENT AUDITORS' REPORT

Member  
Sparkle Franchising LLC  
Gilbert, Arizona

### **Report on the Audit of the Financial Statement**

#### ***Opinion***

We have audited the accompanying balance sheet of Sparkle Franchising LLC as of January 31, 2024, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Sparkle Franchising LLC as of January 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Sparkle Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statement***

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sparkle Franchising LLC's ability to continue as a going concern for one year after the date the financial statement is available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sparkle Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sparkle Franchising LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 28, 2024

**SPARKLE FRANCHISING LLC**  
**BALANCE SHEET**  
**JANUARY 31, 2024**

**ASSETS**

Current Assets

Cash and Cash Equivalents

\$ 250,000

Total Assets

\$ 250,000

**MEMBER'S EQUITY**

\$ 250,000

Total Member's Equity

\$ 250,000

*See accompanying Notes to Financial Statement.*

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principal Business Activity**

Sparkle Franchising LLC (the Company) was formed on December 18, 2023 in the state of Arizona. The Company is wholly owned by its parent company, Sparkle Grooming Corp. (the Parent). The Company was established for the purpose of selling franchises under the Sparkle Grooming brand. As of January 31, 2024, the Company does not have any franchised locations.

**Basis of Presentation**

The Company's balance sheet has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

**Revenue Recognition**

The Company generates revenue primarily through royalties, franchise fees, and advertising fund fees. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

As of January 31, 2024, the Company does not have any franchised locations; therefore, no revenues have been recognized.

**SPARKLE FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**JANUARY 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Company is a single member LLC and is treated as a disregarded entity for federal and state income tax purposes. As such, income and losses of the Company pass through to the Parent. Accordingly, no provision for income taxes is included in the accompanying financial statement. The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of January 31, 2024, management of the Company does not believe it has any uncertain tax positions.

**Subsequent Events**

In preparing this financial statement, the Company has evaluated events and transactions for potential recognition or disclosure through February 28, 2024, the date the financial statement was available to be issued.



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**EXHIBIT E**  
**CONFIDENTIALITY/NONDISCLOSURE AGREEMENT**

## CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of \_\_\_\_\_, (“Effective Date”), by and between Sparkle Franchising LLC, a Delaware limited liability company (“Sparkle Franchising”) and \_\_\_\_\_ (“Franchise Applicant”) and certain of Franchise Applicant’s employees identified below (“Employees”) in favor of and for the benefit of Sparkle Franchising.

### RECITALS

As a result of the expenditure of considerable time, skill, effort and money, Sparkle Franchising and its affiliates have developed and own a unique system (“System”) for the development and operation of a business under the name “Sparkle” that offers wellness-focused hygiene and salon style dog grooming specializing in providing hygiene and grooming services for pet owners and related products (“Sparkle Salons”).

Franchise Applicant has expressed interest in purchasing a Sparkle Salon franchise from Sparkle Franchising to operate one or more Sparkle Salons.

In order to evaluate the possibility of entering into a franchise agreement with Sparkle Franchising to establish and operate one or more Sparkle Salons, Franchise Applicant and Employees desire to receive from Sparkle Franchising certain confidential business information including, but not limited to the information contained in the Sparkle Salon operations manual (“Manual”). Franchise Applicant and Employees recognize the importance of maintaining the confidentiality of this information.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchise Applicant and Employees agree as follows:

### AGREEMENT

#### 1. Confidential Information

A. Definition of Confidential Information. As used in this Agreement, the term “Confidential Information” means all information that has been created, discovered, or developed by Sparkle Franchising and/or its affiliates that is in any way proprietary to Sparkle Franchising and/or its affiliates. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, customer lists, the Manual, as amended from time to time, and other information regarding customer relationships, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting Sparkle Salons, information contained in the Manual, information regarding the retail and commercial operations of Sparkle Franchising and its affiliates, and all information that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or obtained orally.

B. Exclusion from Definition of Confidential Information. The term “Confidential Information” does not include: (1) information that is now or hereafter becomes publicly known through no fault of Franchise Applicant or any Employee, or by any other person, firm or corporation affiliated with Franchise Applicant or any Employee; (2) information that was in Franchise Applicant’s or any Employee’s

possession before the Effective Date; and (3) information that comes into Franchise Applicant's or any Employee's possession after the Effective Date from a source not under an obligation of secrecy to Sparkle Franchising. As used in this Agreement, the phrase "publicly known" means readily accessible to the public in a written publication and shall not include information which is available only by a substantial searching of the published literature and information the substance of which must be pieced together from a number of different publications and sources. The burden of proving that information or skills and experience are not Confidential Information shall be on the party asserting such exclusion.

C. Treatment of Confidential Information. Franchise Applicant and Employees hereby acknowledge, understand and agree that the Confidential Information: (1) is the exclusive and confidential property of Sparkle Franchising or its affiliates and incorporates trade secrets and copyrights owned by them; (2) gives Sparkle Franchising and its affiliates some competitive business advantage or the opportunity of obtaining such an advantage, the disclosure of which could be detrimental to the interests of Sparkle Franchising and its affiliates; and (3) is not generally known by non-Sparkle Franchising personnel. Franchise Applicant and Employees shall at all times treat the Confidential Information in accordance with this Agreement.

D. No License. This Agreement entitles Franchise Applicant and Employees to use the Confidential Information solely in connection with Franchise Applicant's exploration of the Sparkle Salon franchise opportunity. No license, express or implied, in the Confidential Information is granted to Franchise Applicant or Employees other than to use the Confidential Information in the manner and to the extent authorized by this Agreement.

2. Covenants of Franchise Applicant and Employees. As a consequence of Franchise Applicant's and Employees' acquisition or anticipated acquisition of Confidential Information, Franchise Applicant and Employees will occupy a position of trust and confidence with respect to Sparkle Franchising's affairs and business. In view of the foregoing, Franchise Applicant and Employees agree that it is reasonable and necessary that Franchise Applicant and Employees agree, while this Agreement is in effect, to the following:

(A) Limited Use. Franchise Applicant and Employees shall use the Confidential Information solely for purposes of evaluating whether or not Franchise Applicant will invest in a Sparkle Salon franchise. Neither Franchise Applicant nor Employees shall make any other uses of the Confidential Information. If Franchise Applicant does not invest in a franchise, the obligations set forth in this Section 2 will remain in effect for three (3) years from the date the Franchise Applicant decides not to invest in a Sparkle Salon franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end two (2) years from the date the Franchise Applicant decides not to invest in a Sparkle Salon franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Applicant decides not to invest in a Sparkle Salon franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Franchise Applicant decides not to invest in a Sparkle Salon franchise.

(B) No Disclosure. Franchise Applicant and Employees shall not disclose the Confidential Information to any person or entity other than Franchise Applicant's attorney or accountant as necessary to evaluate the opportunity provided by Sparkle Franchising and agree to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Franchise Applicant and Employees use to protect Franchise Applicant's Confidential Information.

(C) No Use, Copying or Transfer. Franchise Applicant and Employees shall not use, copy, or transfer Confidential Information in any way and shall protect the Confidential Information against

unauthorized use, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Franchise Applicant and Employees use to protect Franchise Applicant's Confidential Information. This prohibition against use, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products or services which embody or are derived from Confidential Information. Franchise Applicant and Employees further agree not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any Confidential Information.

(D) Applicability. These covenants shall apply to all Confidential Information disclosed to Franchise Applicant or Employees by Sparkle Franchising prior to the date of this Agreement.

(E) Solicitation. Franchise Applicant and Employees agree that neither they nor any of their agents, employees or representatives shall knowingly employ or seek to employ any person then employed by Sparkle Franchising or any affiliate, subsidiary, or franchisee of Sparkle Franchising, or otherwise directly or indirectly induce such person to leave his or her employment without Sparkle Franchising's prior written consent.

3. Return of Confidential Information. Nothing in this Agreement obligates either Sparkle Franchising or Franchise Applicant to enter into a franchise agreement for the operation of a Sparkle Salon. Franchise Applicant acknowledges that Sparkle Franchising's decision to consider Franchise Applicant for any franchise opportunity, as well as the location and type of franchise opportunity to be offered, if any, and the terms of any contracts, will be made by Sparkle Franchising in its sole discretion. If, at any time, Sparkle Franchising determines that it does not wish for Franchise Applicant to become a franchisee, or Franchise Applicant determines that it does not wish to invest in a Sparkle Salon franchise, or if Sparkle Franchising requests, at any time and for any reason, that Franchise Applicant and Employees do so, Franchise Applicant and Employees agree to: (A) immediately cease to use the Confidential Information; (B) immediately return to Sparkle Franchising the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (C) at the request of Sparkle Franchising, certify in writing that Franchise Applicant, Employees and all others to whom Franchise Applicant has provided such Confidential Information, have complied with subsections (A) and (B) above.

4. Notice to Sparkle Franchising. Franchise Applicant and Employees shall immediately notify Sparkle Franchising of any information that comes to their attention that indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a default of this Agreement.

5. Waiver. Franchise Applicant and Employees acknowledge that no waiver by Sparkle Franchising of any default by Franchise Applicant or Employees of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding default of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

6. Enforcement.

(A) Governing Law. This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of laws principles.

(B) Forum. To the extent any disputes cannot be resolved directly between Franchise Applicant, Employees and Sparkle Franchising, Franchise Applicant and Employees agree to file suit against Sparkle Franchising only in the federal or state court having jurisdiction where Sparkle Franchising's principal offices are located at the time suit is filed. Franchise Applicant and Employees

acknowledge that Sparkle Franchising may file suit in the federal or state court located in the jurisdiction where Franchise Applicant's principal offices are located at the time suit is filed or in the jurisdiction where Franchise Applicant resides or does business or where the claim arose. Franchise Applicant and Employees consent to the personal jurisdiction of those courts and to venue in those courts.

(C) Injunctive Relief. It is hereby understood and agreed that: (1) a default of this Agreement by Franchise Applicant or Employees would result in irreparable harm to Sparkle Franchising, the extent of which would be difficult to ascertain; (2) monetary damages would be an inadequate remedy for such a default; and (3) Sparkle Franchising shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a default without posting a bond or other security and without waiving any additional rights or remedies otherwise available to Sparkle Franchising at law or in equity or by statute.

7. Reimbursement of Costs and Expenses. If Sparkle Franchising brings an action to enforce this Agreement in a judicial proceeding and prevails in that proceeding, then Sparkle Franchising will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

8. Third Party Beneficiary. Franchise Applicant and Employees hereby acknowledge and agree that Sparkle Franchising is an intended third-party beneficiary of this Agreement with the right to enforce it.

9. Miscellaneous.

(A) Severability. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable, or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

(B) Headings. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

(C) Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

**IN WITNESS WHEREOF**, the parties have duly executed, sealed, and delivered this Agreement as of the day and year above written.

**APPLICANT:**

\_\_\_\_\_  
Signature

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

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

**APPLICANT:**

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

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

**EMPLOYEE**

\_\_\_\_\_  
Signature

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

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

**EMPLOYEE**

\_\_\_\_\_  
Signature

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

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

## **EXHIBIT F**

### **LIST OF FRANCHISEES**

(1) Opened Franchisee Outlets as of December 31, 2023<sup>4</sup>

| <b><u>Name</u></b>                          | <b><u>Email</u></b>                                                                      | <b><u>Phone</u></b>            | <b><u>Address</u></b>                                              | <b><u>State</u></b>                |
|---------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------|------------------------------------|
| <a href="#">Brayden Gazlay</a>              | <a href="mailto:brayden.gazlay@sparkledogcare.com">brayden.gazlay@sparkledogcare.com</a> | <a href="#">(480) 330-7755</a> | <a href="#">2653 East Beekman Place<br/>Phoenix, AZ 85016</a>      | <a href="#">Arizona</a>            |
| <a href="#">Broc Lundquist</a>              | <a href="mailto:broc.lundquist@sparkledogcare.com">broc.lundquist@sparkledogcare.com</a> | <a href="#">(623) 606-7206</a> | <a href="#">1720 E Camelback Rd Unit<br/>535 Phoenix, AZ 85016</a> | <a href="#">Arizona</a>            |
| <a href="#">Guillaume Roux</a>              | <a href="mailto:guillaume.roux@sparkledogcare.com">guillaume.roux@sparkledogcare.com</a> | <a href="#">(843) 955-7818</a> | <a href="#">625 White Cap Ct<br/>Charleston, SC 29492</a>          | <a href="#">South<br/>Carolina</a> |
| <a href="#">Ernest (Ernie)<br/>Arellano</a> | <a href="mailto:ernie.arellano@sparkledogcare.com">ernie.arellano@sparkledogcare.com</a> | <a href="#">(720) 275-0974</a> | <a href="#">626 Lafayette Ct Sarasota,<br/>FL 34236</a>            | <a href="#">Colorado</a>           |

**~~None.~~**

(2) Franchisees With Signed Franchise Agreements But Outlet Not Yet Opened as of December 31, 2023<sup>4</sup>

**None.**

(3) The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of Franchisees who had an opened outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement with us during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

**None.**

**EXHIBIT G**  
**STATE SPECIFIC DISCLOSURE**[S](#)



## REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA CORPORATIONS CODE SECTION 31125 REQUIRES THAT THE FRANCHISOR GIVE THE FRANCHISEE A DISCLOSURE DOCUMENT APPROVED BY THE DEPARTMENT OF CORPORATIONS PRIOR TO A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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

Neither we nor any person or franchise ~~broker~~ identified in Item 2 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 that association or exchange.

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination and non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control. We may not terminate your franchise except for good cause, and we must give you a notice of default and a reasonable opportunity to cure the defects (except for certain defects specified in the statute, for which no opportunity to cure is required by law). The statute also requires that we give you notice of any intention not to renew your franchise at least 180 days before expiration of the Franchise Agreement.

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAW OF ARIZONA. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

To the extent permitted by law, you and we waive any right to or claim for any punitive or exemplary damages against each other and agree that in the event of a dispute between us, each will be limited to the recovery of actual damages only (except in limited circumstances). Each party further waives trial by jury and, to the extent permitted by law, all claims arising out of or relating to the Franchise Agreement must be brought within one year from the date on which you or we knew or should have known of the facts giving rise to such claims (except for claims relating to nonpayment or underpayment of amounts you owe us).

The Franchise Agreement requires mediation. The mediation will occur at the office of the American Arbitration Association Office closest to our principal executive offices. Prospective franchisees are

encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

OUR WEBSITE (~~[www.thejoint.com](http://www.thejoint.com)~~) 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.dbo.ca.gov](http://www.dbo.ca.gov).

### **REQUIRED BY THE STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Item 20 of this Disclosure Document will be amended by the addition of the following paragraph:

As of the dates listed in Attachment 1, this franchise offering is or will be effective in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin and exempt from registration in Arizona and Utah. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

### **REQUIRED BY THE STATE OF ILLINOIS**

Illinois requires the following additional risk factor:

“Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse’s marital and personal assets (perhaps including your house) at risk if your franchise fails.”

Item 17 of this disclosure document is supplemented by the addition of the following paragraphs at the end of the chart:

State Law

~~The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.~~

Your rights upon Termination and Non-Renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

The Illinois Franchise Disclosure Act will govern any Franchise Agreement if it applies to a subfranchise located in Illinois.

Any condition in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois, provided that the Franchise Agreement may provide for mediation in a forum outside of Illinois.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Illinois law governs the Franchise Agreement(s) and Development Agreement(s).

#### **REQUIRED BY THE STATE OF INDIANA**

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of your franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of your franchise unlawful unless there is a material violation of the Franchise Agreement, and the termination is not done in bad faith.

If Indiana law requires the Franchise Agreement and all related documents to be governed by Indiana law, then nothing in the Franchise Agreement or related documents referring to Arizona law will abrogate or reduce any of your rights as provided for under Indiana law.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

Although the Franchise Agreement requires mediation to be held at the office of the American Arbitration Association closest to our principal executive offices, mediation held pursuant to the Franchise Agreement must take place in Indiana if you so request. If you choose Indiana, we have the right to select the location in Indiana.

#### **REQUIRED BY THE STATE OF MARYLAND**

~~A franchisee located within the state of Maryland shall not be required to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise which would act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.~~

~~The provisions in the Franchise Agreement relating to the general release that is required as a condition of renewal, sale and assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.~~

The FDD is amended as follows:

The following is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement.

The following is added to Item 17:

~~Lawsuits by either you or us may take place.~~ A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

~~Any limitation of claims provision(s) in the Franchise Agreement shall not act to reduce the 3-year statute of limitations afforded to you for bringing a claim under the Law.~~ Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years ~~after~~of the grant of the franchise ~~to you.~~

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **REQUIRED BY THE STATE OF 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 of the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure each 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 franchised 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' 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 mediation or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of mediation, to conduct mediation at a location outside this state.

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

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

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

(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 a provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to the Attorney General's Department for the State of Michigan, Consumer Protection Division, Franchise Section, 670 Law Building, 525 W. Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

### **REQUIRED BY THE STATE OF MINNESOTA**

We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Marks.

Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release. Any release you sign as a condition of renewal or transfer will not apply to any claims you may have under the Minnesota Franchise Law.

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C. 14, subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice in advance of termination (with 60 days to cure) and 180 days' notice in advance of nonrenewal of the Franchise Agreement.

Minn. Stat. § 80C.17, Subd. 5, states that no civil action pertaining to a violation of a franchise rule or statute can be commenced more than three years after the cause of action accrues

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Under Minnesota law, we cannot require you to consent to injunction relief; however, we may seek injunctive relief from the Court.

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

### **REQUIRED BY STATE OF NEW JERSEY**

Liquidated damages are void if unreasonable under the totality of the circumstances, including whether a statute governs the relationship and concerns liquidated damages clauses; and the common practice in the industry.

### **REQUIRED BY THE STATE OF NEW YORK**

1. ~~4.~~—The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR ~~SOURCES OF SERVICES OR~~ INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ~~THAT~~ ANYTHING IN ~~THE~~THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND ~~NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.~~**

**THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS ~~WHICH~~ THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. ~~2.~~—The following is to be added at the end of Item 3:

~~Except as provided above, with regard~~ With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

~~3.~~—~~The following is added to the end of Item 4:~~

~~Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the 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 that officer or general partner of the franchisor held this position in the company or partnership.~~

~~4.~~—~~The following is added to the end of Item 5:~~

~~The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.~~



3. ~~5.~~—The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for a franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this ~~provision~~proviso that the non-waiver provisions of General Business Law Sections 687-~~(4)~~ and 687-~~(5)~~ be satisfied.

4. ~~6.~~The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

5. ~~7.~~The following is added to the end of the "Summary" ~~section of Item 17(j), titled "Assignment of contract by franchisor"~~:

~~However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.~~

~~8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":~~

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or ~~upon~~ the franchisee by Article 33 of the General Business Law of the State of New York

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## REQUIRED BY THE STATE OF NORTH DAKOTA

~~The Franchise Agreement contains a covenant not to compete which extends beyond the termination of your franchise. This provision may not be enforceable under North Dakota law.~~

1. The following is added to Item 17(c) of the Disclosure Document and the Franchise Agreement: The Commission of Securities of North Dakota has determined that requiring a franchisee to sign a general release upon renewal of a franchise agreement is unfair, unjust, and inequitable within the intent of Section



51-19-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee sign a general release as a condition of renewing the franchise agreement is deleted.

2. The following is added to Item 17(i) of the Disclosure Document and the Franchise Agreement: The Commission of Securities of North Dakota has determined that requiring a franchisee to consent to termination or liquidated damages in a franchise agreement is unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee consent to termination or liquidated damages is deleted.

3. The following is added to the Item 17(r) of the Disclosure Document and the Franchise Agreement: The Commission of Securities of North Dakota has determined that certain covenants restricting competition may be contrary to Section 9-08-06 of the North Dakota Century Code. Any covenants against competition shall be subject to this section of the North Dakota Century Code. Covenants not to compete such as those mentioned in Item 17(r) and in the Franchise Agreement are generally considered unenforceable in North Dakota.

~~4. Although the Franchise Agreement provides that the place of mediation will be located at the office of the American Arbitration Association closest to our principal executive offices, we~~ The following is added to Item 17(u) of the Disclosure Document and the Franchise Agreement: We agree that the place of ~~mediation~~arbitration will be a location that is in close proximity to the site of your Salon.

~~5. The~~ The Disclosure Document and Franchise Agreement requires that you consent to the jurisdiction of a court in close proximity to our principal executive offices. This provision may not be enforceable under North Dakota ~~Franchise Investment Law~~ because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

~~6. Although the~~ The following is added to the Disclosure Document and Franchise Agreement: ~~provides that it will be governed by and construed in accordance with the laws of the State of Arizona, we~~ We agree that the laws of the State of North Dakota will govern the construction and interpretation of ~~the~~your Franchise Agreement.

~~A contractual requirement that you sign a general release may be unenforceable under the laws of North Dakota.~~

7. ~~Although~~ The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. ~~The Commissioner of Securities of North Dakota~~ The Commissioner of Securities of North Dakota has determined that a requirement requiring the waiver of a trial by jury to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota.

~~8. Although the~~ To the extent any provision of your Franchise Agreement requires ~~the~~ franchisee to consent to a waiver of exemplary and punitive damages, the ~~Commissioner of Securities of North Dakota~~ Commissioner of Securities of North Dakota ~~has~~ determined that these types of provisions to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota. and will be deemed null and void. ~~Although~~

9. ~~The~~ The Franchise Agreement requires the franchisee to consent to a limitation of claims period within one year. ~~The~~ The Commissioner had determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is ~~therefore~~ governed by North Dakota law.

10. ~~To the extent any provision of t~~The Franchise Agreement requires ~~you to consent to a waiver of exemplary or punitive damages, the provision will be deemed null and void.~~the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

11. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

12. Based upon the franchisor's financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

#### **REQUIRED BY THE STATE OF SOUTH DAKOTA**

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the South Dakota Securities Regulation Office due to Franchisor's financial condition.

#### **REQUIRED BY THE STATE OF RHODE ISLAND**

Even though our Franchise Agreement says the laws of Arizona apply, § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

#### **REQUIRED BY THE STATE OF VIRGINIA**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**STATE SPECIFIC DISCLOSURES**  
**REQUIRED BY THE STATE OF WASHINGTON**

The ~~state of Washington has a statute,~~ provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

**1. Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

**2. Franchisee Bill of Rights.** RCW 19.100.180 ~~which~~ may supersede provisions in the Ffranchise Aagreement ~~in~~ or related agreements concerning your relationship with the franchisor, including ~~in~~ the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the Ffranchise Aagreement ~~in~~ or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those ~~areas of termination and renewal of your franchise~~ summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

**3. Site of Arbitration, Mediation, and/or Litigation.**

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

~~In the event of a conflict of laws, the provisions~~ In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, ~~Chapter 19.100 RCW shall prevail in~~ Washington.

**4. General Release.**

A release or waiver of rights ~~executed by a franchisee shall not include rights~~ in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act ~~or any rules or orders thereunder is void~~ except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

**5. Statute of Limitations and Waiver of Jury Trial.** ~~Provisions such as those which~~ Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

~~These requirements must be included in an addendum to the Franchise Agreement you sign for the State of Washington~~

**7. Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

**8. Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

**9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

**10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

**11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

**12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

**13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

**14. Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflicts with these limitations ~~are~~is void and unenforceable in Washington.

**15. -Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of ~~F~~the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**16. Questionnaires and Acknowledgments** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship

shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

**18. Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned does hereby acknowledge receipt of this addendum.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

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

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

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

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

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

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

## **EXHIBIT H**

### **FORM OF GENERAL RELEASE AGREEMENT**

#### **GENERAL RELEASE**

**THIS GENERAL RELEASE** (“Release”) is executed on \_\_\_\_\_ by \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Guarantors”) as a condition of PICK ONE: the transfer of Sparkle Salon by Franchisee [or] the renewal of Sparkle franchise agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Franchisee and Sparkle Franchising LLC (“Franchisor”) [or] the termination of a Sparkle Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Franchisee and Franchisor.

1. Release by Franchisee and Guarantors. Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “Franchisee Releasors”) freely and without any influence forever release and covenant not to sue Franchisor and its parent, subsidiaries and affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively “Franchisor Releasees”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any Franchisor Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

**IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA:** Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

2. **Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasers) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of crossclaim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense.** Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of Franchisor and each Franchisee Releaser.

7. **Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. Franchisor, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where Franchisor's principal offices are located. Franchisor may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous**

(A) This Release constitutes the entire, full, and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings, or agreements. Except as expressly reflected in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

(B) The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

(C) The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

(D) All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

(E) All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

(F) This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

This General Release does not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder ~~in accordance with RCW 19.100.220(2).~~

**[SIGNATURES ON FOLLOWING PAGE]**



**IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown below.**

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**GUARANTOR**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**GUARANTOR**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

[Attach additional signature pages as needed]

**EXHIBIT I**  
**DEVELOPMENT AGREEMENT**

## DEVELOPMENT AGREEMENT

This Development Agreement, ~~dated~~ as of the date ~~set forth~~ on the last page of this Agreement, by and between Sparkle Franchising LLC, an Arizona limited liability company ("Franchisor"), and the party identified on the last page of this Agreement ("Franchisee").

### RECITALS

~~A.~~ Franchisor and Franchisee have signed that certain Franchise Agreement, dated as of \_\_\_\_\_ (the "Franchise Agreement"), with respect to the operation by Franchisee of a Sparkle Salon® (the "First Unit");

~~B.~~ Franchisee desires to operate additional Sparkle Salon® franchises (the "Subsequent Units"); and

~~C.~~ Subject to the terms and conditions of this Agreement, Franchisor is willing to grant an additional Sparkle Salon® franchises to Franchisee.

### AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, ~~and for other good and valuable consideration, the parties agree as follows:~~

#### 1. GRANT OF OPTION TO ESTABLISH ADDITIONAL SPARKLE SALONS.

~~A.~~ ~~(a)~~ Subject to and in accordance with the terms of this Agreement, Franchisor grants to Franchisee, and Franchisee ~~accepts, an option~~ agrees to establish, open, and operate additional Sparkle Salons at the following locations or within the following geographical area (the "Development Area"):

See attached map of Development Area.

~~and will have each Salon open and operating by the Development Deadline below~~ In accordance with the following development schedule (the "Development Schedule"):

| Unit # | <u>Deadline to Execute Franchise Agreement</u> | <del>Development</del><br><u>Deadline to Open Studio</u> |
|--------|------------------------------------------------|----------------------------------------------------------|
|        |                                                |                                                          |
|        |                                                |                                                          |
|        |                                                |                                                          |
|        |                                                |                                                          |

~~(b)~~ Subject to and in accordance with the terms of this Agreement, Franchisee (and his Principals, directors, officers, managers and employees) will sign and deliver to Franchisor, in connection with each Unit, a franchise agreement (and such other ancillary agreements and documents as Franchisor

may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement (including, without limitation, the Royalties Fees, the Advertising Payments and other fees);

2. except that the Franchise Fee payable with respect to the First Unit, for which Franchisee had already paid the Franchise Fee, the Franchisee Development Fees. The Development Fees payable in connection with the execution of this Development Agreement will vary depending upon the number of Sparkle Salons that you agree to open in the Development Area. each Subsequent Unit will be the amounts on Schedule A. The Initial Franchise Fee is -The Development Fee is due in full upon execution of this Agreement, not refundable; and will be used for our general purposes.

## 2. 3. ROYALTIES FEES.

Unless otherwise provided in this Agreement, the Royalties Fees payable to us in conjunction with each of your Franchise Agreements and ~~EACH~~ Subsequent Units will be ~~SET FORTH~~ indicated in the Franchise Agreement executed in conjunction with each ~~FRANCHISE AGREEMENT~~ Subsequent Unit.

3. NO REFUNDS. Once paid, Development Fees are not refundable under any circumstances.

## 4. CONDITIONS TO ESTABLISHING ADDITIONAL SPARKLE SALONS.

Franchisee acknowledges and agrees that it is critical for Franchisor to protect the Trademarks and to maintain a high quality of services and products provided under the Trademarks. Accordingly, Franchisee acknowledges that Franchisor has a significant interest in granting franchises only to persons who operate their Sparkle Salons in accordance with the highest integrity and operational excellence, and agrees that Franchisee's right to establish and operate the Units will be subject to the satisfaction (in Franchisor's sole discretion) of each of the following conditions:

A. ~~(a)~~ Franchisee must sign a franchise agreement with respect to each Subsequent Unit by the Development Deadline;

B. ~~(b)~~ At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee (and his Affiliates and their respective Principals, directors, officers, managers and employees) must not be in ~~default~~ breach of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates, and no fact or condition exists that, with the passage of time or the giving of notice, would constitute a ~~default~~ breach;

C. ~~(c)~~ At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, (i) all Sparkle Salons operated by Franchisee (and all of his Affiliates) must be in full compliance with all operational and other requirements, rules and policies contained in Franchisor's Operation Manual and (ii) Franchisee must qualify (in Franchisor's sole discretion) for acceptance as a franchisee under Franchisor's then-current qualifications (including, without limitation, financial qualifications) for franchisees;

D. ~~(d)~~ Franchisee (and his Principals, directors, officers, managers and employees) signs and delivers to Franchisor, in connection with any such Subsequent Unit, the franchise agreement (and such other ancillary agreements and documents as Franchisor may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement including, without limitation, the Royalties Fees, the Advertising Payments and other fees; and

E. ~~(e)~~At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee must sign a general release of Franchisor and its Affiliates, in the form attached ~~hereto~~ as Schedule A, or in such other form as Franchisor may then require. Franchisee agrees that if Franchisee fails to satisfy (in Franchisor's sole discretion) each of the above conditions, Franchisee will not be entitled to establish or operate the additional Sparkle Salons contemplated by this Agreement and that Franchisor will not be obligated to grant Franchisee any additional franchises or sign any additional franchise agreements with Franchisee; provided, however, that Franchisee's rights with respect to Subsequent Units to which both Franchisee and Franchisor have previously signed franchise agreements will not be subject to the terms of this Section 4, but will be subject to the terms of those franchise agreements.

## 5. LOCATION OF SUBSEQUENT UNITS.

A. ~~(a)~~Franchisee must establish and operate each Subsequent Unit within the Development Area, subject to the approval of that location by Franchisor, which approval may not be unreasonably withheld.

B. ~~(b)~~Subject to Section 5~~(e)~~.B, if Franchisor desires to operate, or grant any other Person the right to operate, a Sparkle Salon within the Development Area, Franchisor will provide to Franchisee written notice of the location at which Franchisor intends that Sparkle Salon to be located (the "Initiating Notice"). If Franchisee provides to Franchisor, within ten (10) days after the date of the Initiating Notice, written notice of Franchisee's intent to sign the franchise agreement with respect to that Unit at the location specified in the Initiating Notice and that franchise agreement (and all other documents to be signed in connection therewith) is signed by Franchisee (and the balance of the franchise fee (and all other amounts payable in connection therewith) is paid) within 30 days after the date of the Initiating Notice, Franchisor will not operate, or grant any other Person the right to operate, a Sparkle Salon at the location specified in the Initiating Notice. If Franchisee fails to satisfy either of those requirements, or this Agreement is terminated, Franchisor will not be subject to the restrictions ~~set forth~~reflected in this Section 5~~(b)~~.A. ~~Notwithstanding the foregoing, if~~ Franchisee fails to satisfy any of the conditions contained in Section 5~~(b)~~ at the time that Franchisee's rights under this Section 5~~(b)~~.A would otherwise arise, Franchisor will not be subject to the restrictions ~~set forth~~reflected in this Section 5~~(b)~~.A.

C. ~~(c)~~~~Notwithstanding A~~anything contained in this Agreement to the contrary, including, without limitation, Section 5~~(b)~~.A:

1. ~~(i)~~Franchisor and/or its Affiliates may market, directly or indirectly, services and/or products (including, without limitation, identical, similar, or other services and products) under the Trademarks (or under other trademarks) through channels of distribution other than Sparkle Salons, including the Internet.

2. ~~(ii)~~Franchisor may operate, or grant any other Person the right to operate, Sparkle Salons within certain dense retail traffic areas (such as Las Vegas and Honolulu) or unique or non-traditional marketplaces (such as airports, train stations, hotels, casinos, stadiums and sports and entertainment venues), as designated by Franchisor, in its discretion.

3. ~~(iii)~~Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar, or other services and products) under the Trademarks (or under other trademarks) or otherwise on the Internet. Franchisee may not market his Sparkle Salons or use the Trademarks on the Internet.

4. ~~(iv)~~ Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar, or other services and products) under the Trademarks (or under other trademarks) outside of the Development Area.

5. ~~(v)~~ Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar, or other services and products) under trademarks other than the Trademarks within the Development Area.

6. ~~(d)~~ Franchisee acknowledges that Franchisor presently intends to develop Franchised Businesses (including franchised and company-owned units) throughout the United States and perhaps internationally and that one or more future Franchised Businesses (including franchised and company-owned units) may have an adverse effect on the revenues and profitability of existing Franchised Businesses, including Franchisee's Franchised Businesses. Franchisee further acknowledges that Franchisor has not made any representation or agreement, or provided Franchisee any assurance, that no future Franchised Business (including franchised and company-owned units) would adversely affect the revenues and profitability of Franchisee's Franchised Businesses.

## 6. TERMINATION.

-This Agreement will terminate upon the earlier of:

- A. ~~(a)~~ the date of the last Development Deadline specified in Section 1 of this Agreement;
- B. ~~(b)~~ the Insolvency of Franchisee;
- C. ~~(c)~~ the ~~default~~ breach by Franchisee (or any of his Affiliates) of any of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates; and
- D. ~~(d)~~ the date on which any franchise agreement previously signed by Franchisee (or any of his Affiliates) and Franchisor, or any other agreement between Franchisee (or any of his Affiliates) and Franchisor (or any of its Affiliates), is terminated.

## 7. EXTENSION FEE.

You may extend the Development Deadline to open a Sparkle Salon, on a month to month basis, by paying us a monthly extension fee (the "Extension Fee"). The Extension Fee currently being charged is \$2,500 per month per Sparkle Salon and shall be paid on or before the 5<sup>th</sup> day of each month for which an extension is sought. We reserve the right to modify, increase, decrease or waive the Extension Fee in our sole and absolute discretion.

## 8. INDEMNIFICATION.

A. Developer agrees to indemnify Franchisor, its affiliates and their respective directors, officers, employees, shareholders, members, managers, agents, successors and assigns (each, an "Indemnitee," and collectively "Indemnites"), and to hold the Indemnites harmless to the fullest extent permitted by law, from any and all Losses and Expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the Indemnites in connection with (i) Developer's failure to perform or breach of any covenant, agreement, term or provision

of the Development Agreement; (ii) Developer's breach of any representation or warranty contained in the Development Agreement; (iii) Developer's development, principal ownership, operation and/or closing of any of its Studios; and (iv) any allegedly unauthorized service or act rendered or performed by Developer in connection with the Development Agreement (collectively "**Event**"), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the Indemnitees.

B. The foregoing indemnity shall not apply to Developer: (i) if and to the extent it is determined in a final, non-appealable judgment of a court of competent jurisdiction that the Indemnitees' negligence caused such Losses and Expenses; (ii) to any Losses and Expenses incurred where it is clearly evident that Developer followed Franchisor's guidance or otherwise was complying with instructions from the Franchisor; (iii) to any Losses and Expenses arising from a breach of the Development Agreement by the Indemnitees; or (iv) to any Losses and Expenses directly resulting from the gross negligence or willful acts of Indemnitees (except to the extent that joint liability is involved, in which Event the indemnification provided will extend to any finding of comparative or contributory negligence attributable to Developer). The term "**Losses and Expenses**" includes compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing Losses and Expenses. Franchisor agrees to give Developer reasonable notice of any Event of which Franchisor becomes aware for which indemnification may be required, and Franchisor may elect (but is not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to Developer's consent, which consent shall not be unreasonably withheld or delayed. Franchisor may, in its reasonable discretion, take such actions as it deems necessary and appropriate to investigate, defend or settle any Event or take other remedial or corrective actions that may be necessary for the protection of Indemnitees or Sparkle Salons generally, provided however, that any settlement shall be subject to its consent, which consent shall not be unreasonably withheld or delayed. Further, if the insurer on a policy or policies obtained by Developer in compliance with its Franchise Agreement agrees to undertake the defense of an Event (an "**Insured Event**"), Franchisor agrees not to exercise its right to select counsel to defend the Event if such would cause Developer's insurer to deny coverage. Franchisor reserves the right to retain counsel to represent it with respect to an Insured Event at its sole cost and expense. This Section shall continue in full force and effect subsequent to the expiration or termination of the Development Agreement.

## 9. OWNERSHIP OF THE MARKS.

Developer acknowledges that an affiliate of Franchisor owns the Marks, and that Developer is not granted the right under the Development Agreement to use the Marks. Developer's right to use the Marks arises solely from, and is limited to, Franchise Agreements entered into between Developer and Franchisor. Developer may not use any Marks (or any abbreviation, modification or colorable imitation) as part of any corporate, legal or other business name (other than in connection with any legally required fictitious or assumed name filings), or with any prefix, suffix or other modifying words, any of Developer's terms, designs or symbols, or with the name or other designation of the metropolitan area or city in which any of Developer's Sparkle Salons are located, or in any other manner (including any Internet related use such as an electronic media identifier, for websites, web pages or domain names) not explicitly authorized in writing by Franchisor. Developer may not at any time during or after the term contest, or assist any other person or entity in contesting, the validity or principal ownership of any of the Marks.

## 10. COVENANTS.

A. **Confidential Information.** During and after the Term, you may not communicate, divulge, or use for any purpose other than the operation of your Sparkle Salon any Confidential Information, knowledge, trade secrets or know-how which may be communicated to you or which you may learn by

virtue of your relationship with us (“Confidential Information”). You may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate your Sparkle Salon. All Confidential Information, relating to us, our business plans, or the System are deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain. You must require your Operating Principal and key employees and any other person or entity you wish to disclose any Confidential Information to sign agreements, in a form acceptable to us, that they will maintain the confidentiality of the disclosed information. The agreements must identify us as a third-party beneficiary with the independent right to enforce the agreements.

B. Restrictions.

1. You acknowledge and agree that: (a) according to this Agreement, you will have access to the Confidential Information; (b) the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; (c) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Sparkle Salons if our franchisees were permitted to hold interests in “Competing Businesses” (which are defined as businesses that provide assisted stretch programs, techniques, and systems to people of all ages and related retail products). You acknowledge that restrictions on your right to hold interests in or perform services for Competing Businesses will not hinder your activities. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the restrictions contained in this Section will not deprive you of your personal goodwill or ability to earn a living.

2. You therefore agree that, during the term of this Agreement and for the “Restricted Period” following the expiration or earlier termination of this Agreement, you and your owners will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:

(a) own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business;

(b) knowingly employ or seek to employ any person then employed by us or employed by any Sparkle Salon franchisee as a manager or higher, or otherwise directly or indirectly induce such person to leave his or her employment without our prior written consent; or

(c) divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any Sparkle Salon to a Competing Business.

(d) For purposes of this Agreement, the term “Restricted Period” shall be two (2) years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Franchise Agreement expires or is terminated.



3. During the term of this Agreement, there is no geographical limitation on the restrictions contained in this Section 10. During the Restricted Period, these restrictions will apply at the Premises; within the Protected Territory Area; within a 5-mile radius of the outer boundaries of the Protected Territory Area; and within 5 miles of any other Sparkle Salon in operation or under construction on the later of: (i) the date of the termination or expiration of the Franchise this Agreement (the "Restricted Area"); or (ii) the date on which all persons restricted by Section 10.B.4 begin to comply with Section 10 (the "Restricted Area").

4. If, at any time during the Restricted Period, you or your owners fail to comply with your obligations contained in this Section 10, that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section 10. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 10.

5. If any restriction in this Section 10 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

6. You agree to obtain similar covenants from the personnel and persons we specify, including your officers, directors, managers, and other employees who attend our training programs or have access to Confidential Information and your immediate family members (which include spouses and domestic partners and such other persons as we may specify following our review of your franchise application and proposed operations and ownership structure). We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

C. Information Exchange. All processes, ideas, concepts, advertising and promotional materials, website pages and content, methods, techniques, or materials used or useful to a health and wellness business, whether or not constituting protectable intellectual property (collectively, the "Materials"), that Developer creates, or that are created on its behalf, in connection with the development or operation of its Studios must be promptly disclosed to Franchisor. If Franchisor adopts any of such Materials as part of the System, or deems them to be sufficiently related to Franchisor and its business to be considered proprietary, they will be deemed to be Franchisor's sole and exclusive property and deemed to be Works-made-for-Hire (as such term is defined under Section 101 of the Copyright Act) for Franchisor, and to the extent the Materials may for any reason not be considered a Work-Made-for-Hire, Developer irrevocably conveys, grants, transfers and assigns to Franchisor all rights, title and interest which Developer may have now or in the future in and to the Materials. Developer agrees to sign whatever assignment or other documents Franchisor requests, during and after the term, to evidence Franchisor's principal ownership or to assist Franchisor in securing intellectual property rights in the Materials, and Developer warrants that it will obtain all rights from any third party acting on its behalf to comply with this provision.

## 11. MISCELLANEOUS

A. ~~8.~~ Provisions. Each provision, condition and term of this Agreement is material, and a ~~default~~breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

B. ~~9.~~Definitions. All capitalized terms used, but not defined, in this Agreement have the meanings given them in the Franchise Agreement.

C. ~~10.~~Notices. All communications or notices required or permitted to be given or served under this Agreement must be in writing and will be deemed to have been duly given or made if (a) delivered in person or by courier (including by Federal Express or other courier), (b) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, or (c) faxed, and addressed to the address or fax number ~~set forth~~reflected on the last page of this Agreement. All communications and notices will be effective upon delivery in person or by courier to the address ~~set forth~~stated in this Agreement, upon being deposited in the United States mail in the manner ~~set forth~~above or upon being faxed in the manner ~~set forth~~above. Any party may change his, her or its address or fax number by giving notice in writing, stating his, her or its new address, to the other party to this Agreement as provided in the foregoing manner.

D. ~~11.~~Transfers; Successors and Assigns.

~~(a)~~ (a) ~~Notwithstanding a~~Anything contained in this Agreement, or in any other agreement, to the contrary, Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under this Agreement without the prior written consent of Franchisor, which consent may be withheld by Franchisor in its sole discretion. Any transfer of an equity interest in Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) will be deemed to be a transfer of the Franchised Business in violation of this Section 11.C. Any attempt by Franchisee to assign his rights under this Agreement without Franchisor's prior written consent will be void.

~~(b)~~ ~~Notwithstanding anything contained in this Agreement to the contrary, Franchisor may assign its rights under this Agreement, or delegate any of its obligations hereunder, without the consent of Franchisee or any other person.~~

E. ~~(e)~~We have the absolute, unrestricted right, exercisable at any time, to change our ownership or form and/or transfer and assign all or any part of our rights and obligations under this agreement to any person or legal entity without your consent. After our transfer or assignment of this agreement to a third party who expressly assumes the obligations under this agreement, we no longer will have any performance or other obligations under this Agreement. Subject to Section 11~~(a).~~D of this Agreement, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs, and successors.

F. ~~12.~~Amendment, Modification or Waiver.

1. ~~(a)~~Except as stated in this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in writing, signed by the parties, and specifying with particularity the nature and extent of the amendment, modification, or waiver.

2. ~~(b)~~Failure on the part of any party to complain of any act or failure to act of another party or to declare another party in default, irrespective of how long the failure continues, will not constitute a waiver by that party of his, her or its rights under this Agreement. Any waiver by any party of any default of another party will not affect or impair any right arising from any other or subsequent default.

G. ~~13.~~Entire Agreement. This Agreement, including the exhibits, contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior

agreements and understandings between the parties with respect to that subject matter. Each of the exhibits is incorporated in this Agreement by this reference and constitutes a part of this Agreement. Nothing in this or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document, its exhibits, and amendments.

H. **14.Terminology.** All captions, headings or titles in the paragraphs or sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular paragraph or section to which they apply. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa.

I. **15.Counterparts.** This Agreement may be executed in two or more counterparts, each of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

**16. ~~Arizona Law to Govern; Jurisdiction; Right to Jury Trial and Class Action Waived; Certain Damages Waived.~~**

~~(a) This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict of law provisions to the contrary; provided, however, that any law of the State of Arizona that regulates the offer or sale of franchises or business opportunities or governs the relationship between a franchisor and its franchisees, will not apply unless its jurisdictional requirements are met independently without reference to this Section.~~

~~(b) Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Arizona, and each party consents to the jurisdiction of those courts.~~

~~(c) Franchisee hereby waives the right to a jury trial, waives the right to initiate or participate in a class action in any forum and waives the right to seek or collect punitive, consequential, and special damages in any forum.~~

J. **Dispute Resolution/Governing Law and Venue/Waiver of Certain Claims and Damages.**

1. **Mediation.** Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Anything to the contrary, this Section 27.1 will not bar you or us from obtaining judicial or injunctive relief for claims that are based solely on demands for monies owed, or from obtaining injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location.

2. **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules.

3. **Consent to Jurisdiction and Venue.** We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction

where you reside or do business, where your Sparkle Salon is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

4. Waiver of Certain Damages and Rights. You and we waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between us, we each will be limited to the recovery of actual damages sustained. You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.

5. Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

6. Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 11.J shall survive the expiration or earlier termination of this Agreement.

7. Limitations of Claims. Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of your Sparkle Salon, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

8. Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, your failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates, and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

K. ~~17.~~Attorneys' Fees. In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the ~~default~~breach thereof, the prevailing party may recover reasonable attorneys' fees incurred in connection with any proceeding.

L. ~~18.~~Construction. The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and his, her or its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any

rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any amendments or any exhibits ~~hereto or thereto~~.

M. **19.** Additional Actions. Each party agrees to do all acts and things and to make, execute and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

N. **20.** Computation of Time. Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under Arizona law, the party having that privilege or duty will have until 5:00 p.m. Phoenix, Arizona time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

O. **21.** Currency. Unless otherwise directed by Franchisor in writing, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid which require conversion between currencies will be made at the selling rate for United States Dollars quoted by Franchisor's primary bank on the date on which payment is made. Franchisee will pay all costs of currency exchange.

P. **22.** Authority. Any individual signing below on behalf of a corporation, partnership, Limited Liability Company, or other entity personally represents that he has full authority to bind the party or parties on whose behalf he is signing.

Q. **23.** Terrorist and Money Laundering Activities. Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of his Affiliates or their respective equity owners, directors, officers, employees, representatives and agents (collectively, the "Included People"), (a) is identified, by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)) or (b) has violated any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at [www.epic.org/privacy/terrorism/hr3162.html](http://www.epic.org/privacy/terrorism/hr3162.html)), U.S. Executive Order 13224 (text currently available at [www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html](http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html)) or any similar law. Franchisee agrees that he will comply with, and will cause the Included People to comply with, all laws prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government. Franchisee further agrees that he will immediately notify Franchisor of the occurrence of any event, or the development of any circumstances, that might render any of the foregoing representations or warranties to be false, inaccurate, or misleading.

R. **24.** Acknowledgement of Franchisee. Franchisee acknowledges that, except as expressly ~~set forth~~ reflected in the Disclosure Document delivered to Franchisee, neither Franchisor, nor anyone acting on behalf of Franchisor, has made any claims or representations whatsoever regarding potential sales, profits, or earnings achievable by Franchisee in connection with the conduct of the Franchised Businesses. Franchisee acknowledges that he has been informed, and he understands that the successful operation of the Franchised Businesses will depend primarily upon the efforts, capabilities and management skills of Franchisee and general economic conditions and trends. Franchisee acknowledges and confirms that he has selected, or will select, the premises on which the Franchised Businesses will be established and operated by him, and that the decision to establish and operate the Franchised Businesses in those premises was, or will be, made solely by him, ~~without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by Franchisor, its Affiliates or any of their respective shareholders, directors, officers, employees, representatives or agents~~. Franchisee accepts full responsibility for the consequences of his decision.

**[Signatures on Following Page]**

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**SPARKLE FRANCHISING LLC**

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

**FRANCHISEE**

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

**FRANCHISEE**

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

## SCHEDULE A TO DEVELOPMENT AGREEMENT INFORMATION SHEET

If Franchisee is any entity, identify:

Type of entity: \_\_\_\_\_

State of organization: \_\_\_\_\_

Title of signatory: \_\_\_\_\_

If an individual, identify state of residence and domicile: \_\_\_\_\_

Address: \_\_\_\_\_

Email Address: \_\_\_\_\_

Person who will supervise the Franchised Business: \_\_\_\_\_

Address: TBD \_\_\_\_\_

Email Address: \_\_\_\_\_

Telephone Numbers: (H) \_\_\_\_\_

(O) \_\_\_\_\_

(C) \_\_\_\_\_

Principals of Franchisee (Shareholders, Partners, Members, Etc.--Total MUST equal 100%)

Name

% Ownership

|  |  |
|--|--|
|  |  |
|  |  |
|  |  |

Number of Sparkle Salons Included  
with Development Agreement:

Development Fee:

### FRANCHISEE

Initials: \_\_\_\_\_

Initials: \_\_\_\_\_



## DEVELOPMENT AREA

Your rights in the Development Area are subject to the limitations described in Section 4 of the Development Agreement. Any boundaries contained in the description of the Site Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

### SPARKLE FRANCHISING LLC

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

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

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

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

### FRANCHISEE

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

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

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

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

### FRANCHISEE

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

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

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

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

**STATE ADDENDA TO THE DEVELOPMENT AGREEMENT**

**CALIFORNIA FRANCHISEES**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

\_\_\_\_\_

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

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

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

\_\_\_\_\_

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

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

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

## STATE ADDENDA TO THE DEVELOPMENT AGREEMENT

### ILLINOIS FRANCHISEES

The following is added to the Entire Agreement of the Development Agreement:

Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits, and amendments.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

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

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

#### SPARKLE FRANCHISING LLC

#### FRANCHISEE

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

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

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

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

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

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

## STATE ADDENDA TO THE DEVELOPMENT AGREEMENT

### MARYLAND FRANCHISEES

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Section 11(R) Acknowledgement of Franchisee is deleted in its entirety.

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

This development agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its rights to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this form selection requirement is legally enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

#### SPARKLE FRANCHISING LLC

#### FRANCHISEE

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

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

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

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

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

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

**STATE ADDENDA TO THE DEVELOPMENT AGREEMENT**

**SOUTH DAKOTA FRANCHISEES**

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the South Dakota Securities Regulation Office due to Franchisor's financial condition.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**STATE ADDENDA TO THE DEVELOPMENT AGREEMENT**

**VIRGINIA FRANCHISEES**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

| <u>SPARKLE FRANCHISING LLC</u> | <u>FRANCHISEE</u> |
|--------------------------------|-------------------|
| <hr/>                          | <hr/>             |
| By: <hr/>                      | By: <hr/>         |
| Title: <hr/>                   | Title: <hr/>      |
| Date: <hr/>                    | Date: <hr/>       |

**STATE ADDENDA TO THE DEVELOPMENT AGREEMENT**  
**WASHINGTON FRANCHISEES**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

**1. Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

**2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

**3. Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.<sup>A</sup>

**4. General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

**5. Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

**7. Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

**8. Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the

franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

**9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

**10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

**11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

**12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

**13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

**14. Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

**15. Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**16. Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by



any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

**18. Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned does hereby acknowledge receipt of this addendum.

**SPARKLE FRANCHISING LLC**

**FRANCHISEE**

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

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

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

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

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

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

**EXHIBIT J**  
**STATE EFFECTIVE DATES**

State Effective Dates

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

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

| State        | Effective Date   |
|--------------|------------------|
| California   | Pending          |
| Hawaii       | Pending          |
| Illinois     | 3/12/2024Pending |
| Indiana      | 3/11/2024Pending |
| Maryland     | Pending          |
| Michigan     | 3/11/2024Pending |
| Minnesota    | Pending          |
| New York     | Pending          |
| North Dakota | Pending          |
| Rhode Island | Pending          |
| South Dakota | Pending          |
| Virginia     | Pending          |
| Washington   | Pending          |
| Wisconsin    | 3/11/2024Pending |

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

**EXHIBIT K  
RECEIPTS**

**RECEIPT**  
**(RETURN THIS COPY TO FRANCHISOR)**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If ~~Franchisor~~Sparkle 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.

New York law require a franchisor to provide a disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If ~~Franchisor~~Sparkle does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency.

The issuance date for this Franchise Disclosure Document is ~~March 1~~April 29, 20245.

I have received a Disclosure Document dated ~~March 1~~April 29, 20245 that included the following Exhibits:

- |                                                                              |                             |
|------------------------------------------------------------------------------|-----------------------------|
| A State Agencies and Administrators Franchise's Agent for Service of Process | G State Specific Disclosure |
| B Franchise Agreement                                                        | H General Release           |
| C Operations Manual Table of Contents                                        | I Development Agreement     |
| D Financial Statements                                                       | J State Effective Dates     |
| E Confidentiality Agreement                                                  | K Receipts (2 copies)       |
| F List of Franchisees                                                        |                             |

Prospective Franchisee

Prospective Franchisee

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

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

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

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

Instructions for returning the receipt: If the Disclosure Document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee's records. The other copy must be sent via certified mail to ~~the Franchisor:~~ Lyle Myers, Chief Development Officer, Sparkle Franchising LLC, 4250 N Drinkwater Blvd, Suite 165, Scottsdale, AZ 85251, (480) 550-8159.

Franchise seller's name: \_\_\_\_\_  
Principal business address: \_\_\_\_\_  
Email: \_\_\_\_\_  
Telephone number: \_\_\_\_\_

Franchise seller's name: \_\_\_\_\_  
Principal business address: \_\_\_\_\_  
Email: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_

**RECEIPT**  
**(RETURAIN THIS COPY ~~TO FRANCHISOR~~FOR YOUR RECORDS)**

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| F List of Franchisees                                                        |                             |

Prospective Franchisee

Prospective Franchisee

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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Franchise seller's name: \_\_\_\_\_

Principal business address: \_\_\_\_\_

Email: \_\_\_\_\_

Telephone number: \_\_\_\_\_

Franchise seller's name: \_\_\_\_\_

Principal business address: \_\_\_\_\_

Email: \_\_\_\_\_

Telephone Number: \_\_\_\_\_