

## FRANCHISE DISCLOSURE DOCUMENT



Sparkle Franchising LLC  
4250 N Drinkwater Blvd, Suite 165  
Scottsdale, AZ 85251  
(480) 550-8159  
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Sparkle Franchising LLC (“we” “us” “our” or “Franchisor”) ~~are~~<sup>is</sup> offering regional developer business(s) under the trademarks “Sparkle,” and “Sparkle Grooming Co.,” and other trademarks and service marks that we specify from time to time (the “Marks”) under this Franchise Disclosure Document. ~~Note that the term “Regional Developer” as used in this document has the same definition and meaning as an “Area Representatives” under the NASAA Multi-Unit Commentary adopted in September 2014. franchisees will market, refer, and support franchises~~ Regional Developers will recruit prospective Sparkle franchisees (“Franchisee(s)”) in a defined geographic area (thea “Development Area”) and provide certain sales and support services to the Franchisees located within the Development Area each of whom operate ~~Franchisees will conduct business under the name of trademarks “Sparkle,” “Sparkle Dog Wash & Grooming Bar,” “Sparkle Grooming” and operate salon style dog grooming businesses (“Salon(s)”) to provide~~ wellness-focused hygiene and salon style dog grooming salons (“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.

The total investment necessary to begin operation of your Sparkle Regional Developer Business will range from \$116,175 to \$1,031,250. This includes \$98,250 to \$975,750 that must be paid to Franchisor or its affiliates. This range of estimated initial investment reflects the acquisition of a territory in which between ten (10) and one hundred (100) Sparkle Salons may be located.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of 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. Do ~~no~~<sup>not</sup> 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, 2024~~

April 29, 2025

## 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. ~~**Sales Performance Requirement.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.~~ **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.
5. ~~**Mandatory Minimum Payments.** You must make minimum Royalty, Brand Fund, and Technology Fee 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. **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.
6. **Minimum Development Schedule.** The regional developer agreement requires a regional developer to ensure that a minimum number of franchises are opened and continue operating in the development area according to a schedule that is part of the regional developer agreement. Failure to open or maintain the minimum number of franchises required under the development schedule may result in termination of the regional developer agreement and loss of the development area.

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. List of State Administrators /List of Agents for Service of Process
- B. Regional Developer Agreement
- C. Operations Manual Table of Contents
- D. Financial Statements
- E. Confidentiality/Non-Disclosure Agreement
- F. Franchisee Lists
- G. State Specific Disclosures
- H. Form of General Release Agreement
- I. State Effective Dates
- J. Receipt (2 copies)

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

### **Franchisor, Parent, and Affiliates**

The Franchisor is Sparkle Franchising LLC, ~~a Delaware~~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 ~~hygiene and salon style~~ 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 Wash & Grooming Bar", and~~ "Sparkle Grooming Co.," and ~~or our then-current proprietary marks (collectively,~~ 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 ~~9746 Katy Fwy #169, Houston, TX, 77055~~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 regional developer business(es) for sale under this Franchise Disclosure Document. Note that the term "Regional Developer" as used in this document has the same definition and meaning as an "Area Representatives" under the new NASAA Multi-Unit Commentary adopted in September 2014. Regional Developers will 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 Regional Developer Agreement.

Regional Developer Businesses recruit and refer prospective Franchisees to Franchisor in the Development Area and provide certain sales and support services to Franchisees located in the Development Area. Franchisor, at Franchisor's expense, will prepare and register the franchise disclosure documents utilized to offer franchises by Regional Developer. Regional Developer will include only those costs and expenses associated with providing us with any information that we need to prepare and file the disclosure documents. Regional Developer or Franchisor must provide prospective Franchisees with a franchise disclosure document ~~prepared by Franchisor~~. Regional Developers do not sign franchised agreements with Franchisees. You will refer prospective Franchisees to Franchisor who will enter into franchise agreements. If your Development Area includes a registration state (See Exhibit I), you will not be authorized to recruit or refer Franchisees to Franchisor until and unless our franchise offering is registered in that state.

You must operate your Regional Developer Business in accordance with the standards and procedures designated by Franchisor, and according to our operations manuals, or other notices we send you from time to time (the "Manuals(s)"). You will be provided with a copy of our applicable Manuals at the time you sign

your Regional Developer Agreement. A copy of the Table of Contents for each of our Manuals is attached as Exhibit C.

The Regional Developer Agreement is signed by us and by you, or if you are an entity, one or more individuals with the authority to bind you (the “Operating Principal(s)”). The Operating Principal(s) shall have the authority to act for you in all matters relating to your Regional Developer Business. By signing the Regional Developer Agreement, you and the Operating Principal(s) agree to be individually bound by certain obligations in the Regional Developer Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Regional Developer 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.

You (or, if you are an entity, one of your Operating Principals) must complete the RD Training Program prior to the opening of the Regional Developer Business.

### **Separate Franchise Disclosure Document (Unit Franchises)**

In a separate franchise disclosure document, we offer franchises to operate Sparkle Salons that offer wellness-focused hygiene and salon style dog grooming specializing in providing hygiene and grooming services for pet owners under the names “Sparkle”, ~~“Sparkle Dog Wash & Grooming Bar”, “Sparkle Grooming”~~ and/or our then-current proprietary marks (each, a “Salon” or “Franchised Business”) according to the terms of our franchise agreement attached to ~~this~~ a separate Franchise Disclosure Document (the “Franchise Agreement”). You will market, refer prospective franchisees to us, and support Sparkle Salons in your Development Area under a Regional Developer Agreement.

### **Market and Competition**

Salons 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~~ Salons will compete with national big box pet store brands that offer dog grooming services, local dog grooming chains, mom and pop grooming shops, and mobile grooming vans. Sales of our products and services are not seasonal, and customers require dog grooming, wellness, and dog care services throughout the year. A number of franchisors offer dog grooming and similar franchises throughout the United States. You will compete with other regional developers and franchisors that are offering franchises for grooming services and/or similar products and services in your Development Area.

### **Applicable Regulations**

As a Regional Developer, you must comply with all applicable federal and state franchise laws. You must comply with the disclosure requirements mandated by the FTC Franchise Disclosure Rule. Further, in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin, we are required to register the Franchise Disclosure Document (or in some cases submit a notice filing) before the offer or sale of any franchise in that particular state. The states of New York and Washington will also require you to register as a franchise broker. It is your responsibility to investigate and comply with all applicable laws. You will not be authorized to engage in the Regional Developer Business until you and we have fully complied with all applicable obligations. Importantly, you must make sure you are aware of any and all employment laws, regulations and statutes that are applicable where your Regional Developer Business is located.

You should consult with an attorney, and local and state agencies/authorities, before buying a Regional Developer Business to determine if there are any specific regulations you must comply with in your state and consider the effects on you and the cost of compliance. These requirements can broadly affect your



operations, including hiring of personnel, among other things. It is your sole responsibility to investigate any regulations in your area, including those related to the sale and marketing of Franchises in your state. If you enter into a Regional Developer Business with us, you will be required to ensure that our directives, whether described in the Manuals or otherwise, are carried out.

## ITEM 2 BUSINESS EXPERIENCE

**Ben Crawford-Chief Executive Officer.** Mr. Crawford has been our Chief Executive Officer since our formation ~~in 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 Aeppli-Chief Operating Officer.** Mr. Aeppli has been our Chief Operating Officer since our formation ~~in January~~ on December 18, 2023. Mr. Aeppli has also been the Chief Operating Officer of Parent since formation. Between March 2010 and December 2022, Mr. Aeppli 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 ~~formation in December 18,~~ February 2024. ~~Between July 2022 and January 2023,~~ 5. 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

### Development Fee

You must pay us a ~~Development Fee~~ nonrefundable lump sum between \$97,500 and \$975,000 ("the Development Fee")~~. The formula used to determine when you sign the Regional Developer Agreement. †~~The Development Fee for your Development Area is calculated by multiplying 25% of the then-current Initial

Franchise Fee for Sparkle Salons times the number potential Sparkle Salons within the proposed geographically defined Development Area.

The proposed number of Sparkle Salons in a Development Area will be no less than 10 ([a nonrefundable lump sum of \\$97,500](#)) and no more than 100 ([a nonrefundable lump sum of \\$975,000](#)) that must be paid to Franchisor or its affiliates.

The Development Fee must be paid by wire transfer, cash, or certified funds when you sign the Regional Developer Agreement. The Development Fee formula is applied uniformly for all Regional Developers.

The Development Fee is fully earned by us upon receipt and is nonrefundable.

### **Technology Fee**

Regional Developers will pay us a monthly Technology Fee beginning ~~when you sign a lease~~[first month after you complete the training program](#). Initially, we will collect [a lump sum of \\$750](#) and this reflects the technology fees for your first three (3) months of operation. Thereafter will pay us a Technology Fee of \$250 per month. The Technology Fee is not refundable. The Technology Fee provides you [with](#) access to the Salon Systems, e-mail service, intranet, and other technology services that we determine, in our sole discretion. ~~There is no maximum amount that we may charge you for a~~ [Any increase in the](#) Technology Fee ~~although any increase~~ will only be based upon an increase in our costs and expenses in providing technology services to you.

## **ITEM 6 OTHER FEES**

### **OTHER FEES**

| Fee (1)                        | Amount                                                                                     | Due Date                                                                                                        | Remarks                                                                                                                                                                                                                                                                                                            |
|--------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest                       | Lesser of 15% per annum, or the highest commercial contract interest rate permitted by law | From the date payments are due, and continuing until outstanding balance and accrued interest are paid in full. | Charged on any late payments of any amounts due <a href="#">to</a> us or our affiliates.                                                                                                                                                                                                                           |
| Technology Fee (2)             | \$250 per month                                                                            | Monthly                                                                                                         | Payable to cover the monthly cost of accessing our proprietary computer management software and programs ( <del>See Item 11</del> ). <a href="#">The Technology Fee M</a> ay be increased upon written notice to you <a href="#">if our costs of providing the included technology services to you increases</a> . |
| RD Ad Fund <a href="#">(3)</a> | Up to 2% of your share of Initial Franchise Fees and Royalty Fees; currently 0%            | Monthly                                                                                                         | We may create a national advertising fund (the "RD Ad Fund") for our Regional Developer Businesses to promote and support franchise sales. As of the                                                                                                                                                               |

| Fee (1)                 | Amount                                                                                                                                                                                    | Due Date                                                                                        | Remarks                                                                                                                                                                                                                                                                                                      |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                         |                                                                                                                                                                                           |                                                                                                 | date of this Disclosure Document, there is no RD Ad Fund. Franchisor has the right to create an RD Ad Fund and to decide how it will be run. It may do so in the future. The specific manner in which it will be organized and governed has yet to be determined.                                            |
| Audit Expenses          | <del>Cost of</del> Our actual cost of <del>conduction</del> the audit and inspection, <del>plus</del> <del>any</del> <del>reasonable</del> <u>including</u> accounting and legal expenses | On demand                                                                                       | Payable if 2% or more discrepancy in amounts owed, or if you fail to submit required reports.                                                                                                                                                                                                                |
| Late Reporting Fee      | \$250 per late report per week                                                                                                                                                            | 10th day of the month following any month for which any required report is not timely submitted | Payable if any report or other information required to be submitted to us is received by us after the established deadline.                                                                                                                                                                                  |
| Additional Training Fee | To be set by Franchisor prior to such training or meeting not to exceed \$1,500 per attendee                                                                                              | On demand                                                                                       | We may elect to charge you an Additional Training Fee for each person who attends any mandatory or optional additional training program or Owners meetings held by us. We do not currently charge this fee. We may also charge you this fee if you fail to attend any required training courses or meetings. |
| Renewal Fee             | Twenty-five percent (25%) of the Development Fee (including Development Fee for Additional Salons) paid by Regional Developer                                                             | Upon renewal                                                                                    | Payable upon renewal of your Regional Developer Agreement.                                                                                                                                                                                                                                                   |
| Transfer Fee            | \$30,000, <u>subject to applicable state law.</u>                                                                                                                                         | At the time of transfer                                                                         | Applies to any transfer of the Regional Developer Agreement, the Regional Developer, or its assets, except transfers to a legal entity principally controlled by you. Used to cover cost associated with transfers, including training cost.                                                                 |
| Termination Fee (34)    | One-half of the original Development Fee for your                                                                                                                                         | On demand                                                                                       | Payable if you terminate, or we terminate your Regional                                                                                                                                                                                                                                                      |

| Fee (1)                         | Amount                                                                                                                                                                       | Due Date     | Remarks                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                 | Development Area, plus our attorneys' fees and costs                                                                                                                         |              | Developer Agreement for cause before your Term expires.                                                                                                                                                                                                                                                                                                          |
| Insurance (45)                  | The amount you fail to pay for insurance premiums plus ten percent (10%)                                                                                                     | On demand    | Payable only if you fail to maintain required insurance coverage and we pay premiums for you.                                                                                                                                                                                                                                                                    |
| Legal Costs and Attorney's Fees | All legal costs and attorneys' fees incurred by us                                                                                                                           | On demand    | Payable if we must enforce, defend our actions related to, or against your breach of, the Regional Developer Agreement.                                                                                                                                                                                                                                          |
| Indemnification                 | All amounts (including attorneys' fees and costs) incurred by us or otherwise required to be paid                                                                            | On demand    | 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 the franchise, your breach of the Regional Developer Agreement, or your non-compliance with any law or regulation. |
| 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.                                                                                                                                                                                                                                                            |

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 carrying on your Salon:

#### **Explanatory Notes:**

\*Except for some product and service purchases (see Item 8), all fees are uniform, and are imposed by, collected by, and payable to us. **All fees are non-refundable.**

1. You must pay all amounts due by automatic debit or other electronic mean established by us. You will be required to execute an ACH Authorization Form (or similar form) permitting us to electronically debit your designated bank account for payment of all fees payable to us as well as any amounts that you

owe to us or our affiliates for the purchase of goods or services. You must ensure that there are sufficient funds available in your account for withdrawal before each due date.

2. The monthly technology fee for Regional Developers is currently \$250 per month (“Technology Fee”). The Technology Fee allows you to access our intranet site, including training programs and our propriety HALO operating software. Your monthly technology fee will be payable beginning the first month after you complete your initial training. We have the right to increase this amount in the future upon written notice to you. ~~See Item 7 and 11 for additional information regarding Computer Systems, although any increase in the Technology Fee may be increased upon written notice~~ will only be based upon an increase in our costs and expenses in providing the included technology services to you.

3. You must pay the termination fee, plus any costs and attorneys’ fees incurred by us, if you improperly attempt to terminate or close your Regional Developer Business before your term expires, or we terminate your Regional Developer Agreement for any reason ~~as~~ described in the Regional Developer 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 Regional Developer Business. ~~See Item 17 for additional information.~~

4. If you fail to pay the premiums for insurance required to operate your Regional Developer Business, we may obtain insurance for you, and you will be required to reimburse us within ten (10) days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

5. We do not have, nor do we plan to have any Regional Developer advertising cooperatives.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure                                                 | Low      | High      | Method of Payment | When Due    | To Whom Payment is Made   |
|---------------------------------------------------------------------|----------|-----------|-------------------|-------------|---------------------------|
| Development Fee (1)                                                 | \$97,500 | \$975,000 | Lump sum          | Execution   | Us                        |
| Real property rental (3 months) (2)                                 | \$0      | \$6,000   | Monthly           | As arranged | Landlord                  |
| Lease security deposit (3)                                          | \$0      | \$2,000   | Lump sum          | As arranged | Landlord                  |
| Build out expenses                                                  | \$0      | \$5,000   | As arranged       | As arranged | Suppliers and contractors |
| Insurance (4)                                                       | \$5,000  | \$10,000  | As arranged       | As incurred | Insurance company         |
| Utility deposits (5)                                                | \$200    | \$500     | As arranged       | As incurred | Utility companies         |
| Vehicle (6) (3 months)                                              | \$1,800  | \$2,400   | As arranged       | As incurred | Supplier                  |
| Professional service fees (7)                                       | \$500    | \$5,000   | As arranged       | As incurred | Professionals             |
| Travel and living expenses during initial training (per person) (8) | \$600    | \$2,000   | As arranged       | As incurred | Third parties             |

| Type of Expenditure                            | Low              | High               | Method of Payment | When Due    | To Whom Payment is Made |
|------------------------------------------------|------------------|--------------------|-------------------|-------------|-------------------------|
| Filing fees (9)                                | \$25             | \$100              | As arranged       | As incurred | State authority         |
| Franchise sales advertising (3 months) (10)    | \$3,000          | \$4,500            | As incurred       | As incurred | Vendors                 |
| Computer system (11)                           | \$1,500          | \$2,500            | As arranged       | As incurred | Suppliers               |
| Technology fees (3 months) (11)                | \$750            | \$750              | Automatic debit   | Monthly     | Us                      |
| High Speed Internet (11)                       | \$300            | \$500              | As arranged       | Monthly     | Third parties           |
| Additional funds (3 months) (12)               | \$5,000          | \$15,000           | As arranged       | As incurred | Third parties           |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT (13)</b> | <b>\$116,175</b> | <b>\$1,031,250</b> |                   |             |                         |

#### Explanatory Notes:

1. ~~We discuss~~ You must pay us a nonrefundable lump sum of between \$97,500 and \$975,000 (“the Development Fee-in detail in Item 5 of this Disclosure Document”) when you sign the Regional Developer Agreement. We and our affiliates do not offer any financing for this fee. Fees paid to us are not refundable.
2. You are not required to secure a separate office location (although we recommend it) for your Regional Developer Business although you will be required to have adequate office space somewhere (whether at home, an office location) to operate your Regional Developer Business. You may operate your Regional Developer Business from any location you choose (“Sales Office”). We will not select the location of your Sales Office. We will not approve or disapprove of the Sales Office. There is no deadline for you to select a location for your Sales Office. If you decide to operate your Sales Office from a leased location, you will be required to pay rent and possibly the cost of constructing, equipping, and furnishing your leased premises. Since the size and nature of each Regional Developer’s Sales Office space will vary, an estimate is difficult. The estimate shown is for an office consisting of a reception area, one secretarial station, one conference room and two offices. The amount of your rent will vary according to the area, the type of office location (office building, strip center, or free-standing building), and various other factors.
3. If you decide to operate your Sales Office from a leased Sales Office, you may also be required to pay a security deposit. In addition, in certain lease transactions, if you are an entity, the landlord may require your Owners to personally guarantee the lease. Whether this fee is refundable depends on your agreement with your landlord. You are not required to secure a separate office location (although we recommend it) for your Regional Developer Business although you will be required to have adequate office space somewhere (whether at home, an office location) to operate your Regional Developer Business.
4. You must obtain and maintain, at your own expense, insurance coverage for your Regional Developer Business, and the vehicle(s) and any buildings you use or operate in connection with your Regional Developer Business. Insurance costs depend on a variety of factors. Annual premiums are typically paid to the insurer immediately, with refunds being issued if you cancel the insurance. This estimate reflects our estimate of the costs of your insurance for the first year of operation. The cost of your premiums will depend on the insurance carrier’s charges, terms of payment, and your insurance and payment history. Our insurance requirements are contained in our Manuals.



5. If you decide to operate from a leased Sales Office, you may be required to pay deposits for utilities. The amount of these deposits will vary depending on the practices of the utility companies and whether any impact or hook-up fees are required.
6. You may be required to purchase or lease a vehicle to conduct franchise sales activities. If you decide not to utilize your own vehicle, we estimate it will cost you approximately \$600-\$800 per month to cover the cost of your vehicle, tax, title, and licensing. You will not incur these expenses if you already own a suitable vehicle.
7. We recommend that you retain the services of an attorney and other consultants to assist you in forming your business entity and in purchasing and establishing your Regional Developer Business. The estimated range of professional fees incurred reflects our estimate of the fees you will pay for such services. The cost of these services will vary depending on the different services providers.
8. You will incur expenses related to our initial Regional Developer training program. We provide a training program, a training location, instructors, and instructional materials. You will need to arrange for transportation, food, and lodging for your designated attendees. The costs you incur will depend on the distance you must travel and the type of accommodations you choose.
9. State law may require you to register as a franchise broker prior to undertaking your franchise development activities under the Regional Developer Agreement. There may be fees associated with registering as a franchise broker. This is our estimate. This is our estimate of the fees associated with that registration.
10. We estimate that you will spend between \$1,000 and \$1,500 each month to advertise the sale of Franchised Businesses in your Development Area. The precise amount will be determined by the population of your Development Area after consultation with, and consent by, us. Advertising expenditures must be documented to us upon our request. This includes the cost of sales and marketing materials.
11. You must purchase a personal computer system and printer for your Regional Developer Business that is compatible with our computer equipment, so that you will be able to use our proprietary office management software, receive e-mail, use Internet and Intranet services, and receive other electronic information we send. We estimate the initial cost to purchase the computer system to be between \$1,500 and \$2,500. You will pay us a monthly Technology Fee beginning when you sign a lease. Initially, we will collect \$750, and this reflects the technology fees for your first three (3) months of operation. Thereafter, you will be required to pay a technology fee of \$250 per month for the continuing use and upgrade of our proprietary office management software. Technology Fees are not refundable. You will need to have an internet connection as part of your Computer System. We estimate the cost of internet service/DSL (high-speed) internet access to be less than \$100 per month.
12. You will need capital to cover on-going expenses including payroll, utilities, and franchise sales advertising. ~~New businesses often generate a negative cash flow.~~ The estimate of additional funds is based on an owner-operated business and does not include any allowance for an owner's draw. We estimate that the amount shown will be sufficient to cover ongoing expenses for the start-up phase of the Franchised Business, which is three months. That being said, this is only an estimate, ~~however, and there is no assurance that additional working capital will not be necessary during or after this start-up phase of at least three (3) months, and sometimes longer.~~ This estimate is based upon the experience of Franchisor's officers in developing and operating regional developer businesses.
13. Unless otherwise explicitly stated, all fees are not refundable.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

## **Approved Products, Approved Services, Distributors and Suppliers**

You must purchase Approved Products only from us or a third party designated and licensed by us to prepare and sell such products (“Designated Suppliers”) and purchase from manufacturers, distributors, vendors and suppliers approved by us (“Approved Suppliers”) all other goods, products, materials and supplies (collectively, “Goods”), as well as advertising materials, furniture, fixtures, equipment, menus, forms, paper and plastic products, packaging or other materials (collectively, “Materials”) that meet the standards and specifications promulgated by us from time to time. We may require you to use only certain brands (collectively, “Approved Brands”) and prohibit you from using other brands. From time to time, we may modify the list of Approved Brands, and you may not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand. Neither Franchisor nor its affiliate are currently an Approved Supplier or a Designated Supplier for any Goods or Materials although we reserve the right to appoint Franchisor or an affiliate as an Approved Supplier or Designated Supplier of one or more Goods of Materials.

Currently, we do not require our Regional Developers to purchase any products, supplies, or equipment from us, other than our proprietary software and marketing materials. We estimate that the purchase of required proprietary software and marketing materials from us or required suppliers represents between 5% and 10% of your total purchases and leases in establishing the Regional Developer business and approximately 25%-35% of your total purchases and leases, on an annual basis, in operating your Regional Developer Business.

The franchisor or its affiliates receive no revenue derived from rebates or other material considerations based on the required purchases or leases.

No officer of franchisor owns an interest in a supplier of products, supplies or equipment to Regional Developers.

From time to time, we also may modify the list of Designated Suppliers and/or Approved Suppliers, and you may not, after receipt of such modification in writing, order any Approved 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. Approval of a supplier or vendor 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, concentration of purchases, as stated above, or other criteria, and may be temporary, pending a further evaluation of such supplier by us. These criteria and standards are included in the Manuals.

We and our affiliates, from time to time, may receive payments from suppliers or vendors (including Designated Suppliers and/or Approved Suppliers) on account of such suppliers’ dealings with you and other Sparkle franchisees, and we 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.

We negotiate purchasing arrangements with Approved Suppliers so that, whenever possible, you can take advantage of the economies of scale offered by being a part of the System. Currently, there are no purchasing or distribution cooperatives. We may receive discounts that are not available to franchisees on the purchase of certain products. We may also receive rebates on products, supplies, and equipment that you purchase from some of our Approved Suppliers.

In 2023<sup>34</sup>, we received rebates totaling \$0. In the calendar year ended December 31, 2023<sup>34</sup>, rebates received totaled 0% of our total revenue of \$0<sup>42,752</sup> for the same time period.



If you propose to purchase any Goods or Materials (that you are not required to purchase from a Designated Supplier 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 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. 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 rejected that vendor, supplier, or item, in our discretion, within 30 days after receipt of all applicable information.

~~We negotiate purchasing arrangements with Approved Suppliers so that, whenever possible, you can take advantage of the economies of scale offered by being a part of the System. Currently, there are no purchasing or distribution cooperatives. We may receive discounts that are not available to franchisees on the purchase of certain products. We may also receive rebates on products, supplies, and equipment that you purchase from some of our Approved Suppliers. In 2023, we received rebates totaling \$0. In the calendar year ended December 31, 2023, rebates received totaled 0% of our total revenue of \$0 for the same time period.~~

### **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 twelve (12) months prior to their proposed use. You must purchase certain advertising and promotional materials, brochures, fliers, forms, business cards and letterhead from approved vendors only. Further, you must not engage in any advertising of your Regional Developer Business unless we have previously approved the medium, content and method.

~~In the calendar year ending December 31, 2023, and as of the effective date of this disclosure document, 0% of our revenue (or \$0 of \$0) was derived from the sale of the Approved Products, marketing materials, inventory, and supplies.~~

In 2024, we received \$6,423, or approximately 15% of our total Gross Revenue of \$42,752 from Franchisee-required purchases of computer hardware, software, and related services from us.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Sparkle Salons) based upon whether you purchase Approved Products from Designated Suppliers or Goods and Materials from Approved Suppliers; however, if you purchase Approved Products, Goods or Materials from unapproved suppliers or if you purchase unapproved Goods or Materials, we will have the right to terminate the Regional Developer Agreement.

### **Insurance Requirements**

Before you open your Regional Developer Business, you must obtain and maintain throughout the term of the RD Agreement, a commercial general liability insurance policy with policy limits of no less than \$1,000,000 in per occurrence that provides errors and omissions insurance coverage, naming associated with your franchise sales and support services that, names Franchisor, its owners, affiliates, members, subsidiaries, parents, employees, and offers as ~~an~~ an additional insureds. We may increase these limits or have new types of coverage added at any time after giving you notice. You must maintain this insurance coverage, as required by your Regional Developer Agreement, from a responsible carrier. ~~Our current insurance requirements are summarized in the Manuals. You must obtain the insurance necessary to operate your franchise from our Approved Supplier of insurance products.~~

If you fail to pay the premiums for insurance required to operate your franchise, we may obtain insurance for you, and you will be required to reimburse us within ten (10) days of receipt of a demand for

reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

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 a](#) 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.

These insurance policies must name us and any affiliates that we designate and our and their respective officers and owners as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory.

Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain such insurance for you, 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 for our time incurred in obtaining such insurance.

### **Computer Hardware and Software**

We estimate the cost of purchasing the Computer System and related software will range from \$1,500 to \$2,500. In addition to the cost of purchasing the hardware and software associated with the Computer System, you will be required to pay reoccurring charges associated with the continuing use and upgrade of our proprietary office management software. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System. Currently this technology fee is \$250 per month but is subject to change. You will also be required to pay the monthly cost of maintaining high speed internet access at your site.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Development 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.**

| <b>Obligations</b>                                                     | <b>Section in Regional Developer Agreement</b> | <b>Disclosure Document Item</b> |
|------------------------------------------------------------------------|------------------------------------------------|---------------------------------|
| <a href="#">a.</a> Site selection and acquisition/lease                | 2.3                                            | Item 11                         |
| <a href="#">b.</a> Pre-opening purchases/leases                        | 2.1, 2.3                                       | Items 5, 7 and 8                |
| <a href="#">c.</a> Site development and other pre-opening requirements | 2.3                                            | Items 7, 8, and 11              |
| <a href="#">d.</a> Initial and ongoing training                        | 5.1                                            | Item 11                         |

| Obligations                                                                      | Section in Regional Developer Agreement | Disclosure Document Item |
|----------------------------------------------------------------------------------|-----------------------------------------|--------------------------|
| <u>e.</u> Opening                                                                | 2.3                                     | Item 11                  |
| <u>f.</u> Fees                                                                   | 7, 8                                    | Items 5, 6 and 7         |
| <u>g.</u> Compliance with standards and policies/ <i><u>operating manual</u></i> | 6                                       | Items 11 and 16          |
| <u>h.</u> Trademarks and proprietary information                                 | 9                                       | Items 13 and 14          |
| <u>i.</u> Restrictions on products/services offered                              | 5.5(a)                                  | Item 16                  |
| <u>j.</u> Warranty and Customer Service Requirements                             | 5.5(g)                                  | None                     |
| <u>k.</u> Territorial Development and Sales Quotas                               | 2.1, 2.2                                | Item 12                  |
| <u>l.</u> <del>(+)</del> On-going products/services purchases                    | Not Applicable                          | Item 8                   |
| <u>m.</u> Maintenance, appearance and remodeling requirements                    | Not Applicable                          | None                     |
| <u>n.</u> Insurance                                                              | 6.5                                     | Item 7                   |
| <u>o.</u> Advertising                                                            | 6.7                                     | Items 6, 7, and 11       |
| <u>p.</u> Indemnification                                                        | 9.5, 15.2                               | Items 6, 13 and 17       |
| <u>q.</u> Owners Participation management/staffing                               | 6.13                                    | Items 11, 15 and 16      |
| <u>r.</u> Records/reports                                                        | 5.7                                     | Item 6                   |
| <u>s.</u> Inspections/audits                                                     | 5.7                                     | Item 6                   |
| <u>t.</u> Transfer                                                               | 11                                      | Items 6 and 17           |
| <u>u.</u> Renewal                                                                | 4.2                                     | Items 6 and 17           |
| <u>v.</u> Post-termination obligations                                           | 13.2                                    | Item 17                  |
| <u>w.</u> Non-competition covenants                                              | 12                                      | Item 17                  |
| <u>x.</u> Dispute resolution                                                     | 14                                      | Item 17                  |
| <u>y.</u> Guaranty                                                               | 11.9                                    | 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.**

Before your Regional Developer Business opens for business, we or our designee will:

(1) We will provide the RD Training Program (Regional Developer Agreement, Section 5.1). Franchisor's initial training program for Regional Developers ("RD Training Program") is available to all Owners. Before opening for business, the Owner must attend and complete the RD Training Program to the satisfaction of Franchisor. We provide the RD Training Program free of charge to you; however, you must pay the wages, food, lodging and travel expenses for all of your attendees. The RD Training Program will last for approximately two (2) days and will be conducted by us or our designee at our corporate headquarters in Gilbert, Arizona, or another location we designate. All persons who participate in the RD Training Program must complete it to our satisfaction at least one (1) day before beginning operations of the Regional Developer Business.

Our RD Training Program currently includes the following:

**Item 11 Table**  
**TRAINING PROGRAM FOR REGIONAL DEVELOPERS**

| <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                                | 0                                   | Corporate Office / Virtual |
| RD Roles and Responsibilities                 | 1.0                                | 0                                   | Corporate Office / Virtual |
| Understanding the FDD and Franchise Agreement | 1.0                                | 0                                   | Virtual                    |
| Regional Development and Sales Planning       | 1.0                                | 0                                   | Virtual                    |
| Franchise Sales Process                       | 0.5                                | 0                                   | Virtual                    |
| Profiles and Evaluation of Franchise Buyers   | 0.5                                | 0                                   | Virtual                    |
| Marketing the Opportunity                     | 1.0                                | 0                                   | Virtual                    |
| Regional Leadership                           | 1.0                                | 0                                   | Corporate Office           |
| Regional Management                           | 1.0                                | 0                                   | Corporate Office           |
| Total Hours                                   | 8.0                                | 0                                   |                            |

(a) Most of these subjects are integrated throughout the approximately two (2) day training program (comprised of 8 hours of classroom training). On the job training may take place in a variety of ways, including via telephone conferences, or web-based meetings or courses. We plan to be flexible in scheduling training. Regional Developer training is typically conducted on a monthly basis but may be held more or less often depending on the circumstances, in particular, the number of Regional Developers that need to be trained.

(b) The instruction materials for our training programs include handouts, computer training, the Manuals, group discussions, and lectures.

(c) Although the individual instructors of the training program may vary, all of our instructors have at least 2 years' experience in their designated subject area(s). The following are our main instructors at this time along with a general description of their designated subject areas:

(i) Lyle Myers-Chief Development Officer

Mr. Myers has been with us since December 18, 2023. Mr. Myers has been a leader in franchise development and franchise management since 2015, with over 78 years of experience in the field.

(2) Provide our Franchisee Training Program for Regional Developer.- Our current Franchisee Training Program includes:

**Item 11 Table**  
**TRAINING PROGRAM FOR FRANCHISEES**

| Subject                               | Hours of Classroom Training | Hours of On-the-Job Training | Location                    |
|---------------------------------------|-----------------------------|------------------------------|-----------------------------|
| Welcome and Introduction              | 1.0                         | 0                            | Corporate Office / Virtual  |
| Franchisee Roles and Responsibilities | 1.0                         | 0                            | Corporate Office / Virtual  |
| Getting Started                       | 0.5                         | 0                            | Corporate Office / Virtual  |
| Finance                               | 0.5                         | 0                            | Corporate Office / Virtual  |
| Real Estate                           | 1.0                         | 0                            | Virtual                     |
| Design + Construction                 | 1.0                         | 0                            | Virtual                     |
| Human Resources                       | 1.0                         | 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                         | 0                            | Corporate Office            |
| Total Hours                           | 15.0                        | 6.0                          |                             |

(3) Prepare and/or register any disclosure documents or other documentation that must be prepared, amended, or registered for you to fulfill your responsibilities to solicit, recruit, and screen prospective Franchisees (Regional Developer Agreement, Section 5.4). Federal and state franchise or business opportunity laws govern the sale and offering of Sparkle Salons and may require the preparation, amendment, registration, or registration of all certain documentation and disclosures relating to the Sparkle Salons offered in your Development Area (the "Documentation") before you can solicit prospective franchisees. While we will prepare and register all Documentation necessary for you to begin soliciting prospective franchisees, you must provide us with any documentation or information we may need to prepare

or register the Documentation and will be responsible for all costs applicable to you. You must review and become fully familiar with all Documentation related to franchises sold in your Development Area. Before soliciting a Prospective Franchisee, you must confirm with Franchisor, who is ultimately responsible for the accuracy of the Documentation, that the information contained in the Documentation or other materials related to the offer or sale of Sparkle Salons is true, correct, and not misleading, or in violation of applicable state law.

(4) Lend you one copy of our Manual, which contains our mandatory and suggested specifications, standards, and procedures for operating Regional Developer Businesses (Regional Developer Agreement, Section 5.2) and our mandatory and suggested specifications, standards and procedures for operating Sparkle Salons. Exhibit C to this Disclosure Document sets forth the Table of Contents for our Manuals. The Manual is approximately 66 pages.

We may modify the Manuals periodically to reflect changes in System Standards, or as we deem appropriate. You may view our Manuals at our corporate headquarters before purchasing your Regional Developer Business but must first sign a Confidentiality/Non-Disclosure Agreement (Exhibit E) promising not to reveal any of the information contained in the Manuals without our permission.

(5) Review and approve or disapprove your advertising, marketing, and promotional materials (Regional Developer Agreement, Section 6.8). ~~See the remainder of this Item 11 for additional information about our advertising-related requirements and approval process.~~

(6) You are not required to secure a separate office location (although we recommend it) for your Regional Developer Business although you will be required to have adequate office space somewhere (whether at home, an office location) to operate your Regional Developer Business. (Regional Developer Agreement, Section 2.3). You may operate your Regional Developer Business from any location you choose ("Sales Office"). We will not select or lease the location of your Sales Office or approve your Sales Office. We will not approve or disapprove of the Sales Office you select. ~~There is no deadline for you to select a location for your Sales Office~~ You must open a Sales Office within 30 days after you receive your initial training from us, or 90 days after signing your Regional Developer Agreement, whichever occurs first. We will not ~~provide assistance~~ you with confirming the premises to local ordinances and building codes nor obtaining any required permits, and/or constructing, remodeling or decorating the premises, and/or hiring and training employees. We will not provide ~~assistance or provide~~ equipment, signs, fixtures, opening inventory, or supplies to you. We do not generally own your Sales Office and lease it to you. A failure to open your Sales Office within the deadlines above will be a default of the Regional Developer Agreement and may result in termination of the Regional Developer Agreement.

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

After your Regional Developer Business opens for business, we or our designee will:

(1) As we deem appropriate, provide you with additional or refresher training programs (Regional Developer Agreement, Section 5.1(b)). You will be required to participate in periodic webinars and sales calls scheduled by us for Regional Developer Businesses. We may require you to attend up to two (2) additional or refresher training courses each year at our corporate offices, or at another location we designate. You may also be required to attend a national business meeting or convention of up to three (3) days each year. We will determine the location, frequency, and instructors of these training programs. We may charge reasonable fees for any courses, conventions, webinars, sales calls, and programs. You must also pay for all travel, lodging, meal, and personal expenses related to your attendance and the attendance of your personnel.

(2) Continue lending to you a copy of our Manuals (Regional Developer Agreement, Section 5.2).



(3) Provide you with general guidance through bulletins or other written materials (Regional Developer Agreement, Section 5.3).

(4) If we agree to do so, provide you with additional or special guidance, training, or assistance that you request (Regional Developer Agreement, Section 5.3). If we provide this training, you must pay all of our then-applicable charges, including all per-diem fees and travel, lodging, meal, and living expenses of our personnel.

(5) As necessary, amend, maintain, or renew any documentation and/or registrations necessary for you to continue to solicit prospective Franchisees (Regional Developer Agreement, Section 5.4).

(6) Approve or disapprove prospective Franchisees (the “Prospective Franchisees”) recommended by you, and their proposed franchise locations (Regional Developer Agreement, Section 5.5(f)). You must advertise for, solicit, recruit, and screen Prospective Franchisees to purchase Sparkle Salons in your Development Area. You must investigate each Prospective Franchisee and any proposed locations for Sparkle Salons to determine if they meet our standards and policies. After ensuring that a Prospective Franchisee meets our standards, you may recommend to us the approval of the Prospective Franchisee. You must provide us with all information that we may request to evaluate your recommendation. We may approve or reject a Prospective Franchisee for any reason. If we disapprove of any Prospective Franchisee, we will notify you in writing of our reasons for the disapproval. If we approve the Prospective Franchisee, you must provide the Prospective Franchisee with a copy of our then-current Franchise Agreement for the Prospective Franchisee to sign.

(7) Review and approve or disapprove your advertising, marketing, and promotional materials (Regional Developer Agreement, Section 6.8). ~~See the remainder of this Item 11 for additional information about our advertising-related requirements and approval process.~~

(8) Pay you any compensation that you are owed under the Regional Developer Agreement (Regional Developer Agreement- Section 8).

(9) Allow you to continue using our Marks and Confidential Information in operating your Regional Developer Business (Regional Developer Agreement, Sections 9). ~~See Items 13 for additional information.~~

(10) Indemnify you against damages and expenses you incur in a trademark infringement proceeding disputing your authorized use of ~~any~~the Marks in compliance with the Regional Developer Agreement (Regional Developer Agreement, Section 9.5).

(11) If we establish a local or regional advertising cooperative that covers all or any part of your Development Area, we will approve or disapprove any advertising, marketing, or promotional materials created by the cooperative (Regional Developer Agreement, Sections 6.7(c)). Though there currently are no local or regional cooperatives, we may create a cooperative to support the advertising and marketing needs of their respective members. ~~See Items 6, 8, and the rest of this Item 11 for additional information about the local and regional advertising cooperatives that we may create.~~

(12) Pay you, subject to the terms and obligations of the Regional Developer Agreement, your share of Initial Franchise Fees and Royalty Fees (Franchise Agreement, Sections 8.1 and 8.2)..

## **Advertising and Marketing**

### **Advertising by You**

You may develop, at your cost, advertising, and promotional materials for your use, but may not use them until after we have approved them in writing. You must submit to us for our approval samples of all



advertising and promotional materials not prepared or previously approved by us that you wish to use. We will not unreasonably withhold our approval. If you do not receive our written disapproval within 15 days from the date we receive the materials, the materials will be deemed to have been approved. Any materials submitted to us for approval will become our intellectual property. (Regional Developer Agreement, Section 6.7(a)) We anticipate that you will spend between \$1,000 and \$1,500 a month in advertising in your Development Area although we will establish the minimum monthly requirement when we sign the Regional Developer Agreement.

### **Advertising by Us**

We may create a national advertising fund (the “RD Ad Fund”) for our Regional Developer Businesses to promote and support franchise sales. (Regional Developer Agreement, Section 6.7(b)). Each Regional Developer must contribute to the RD Ad Fund such amounts that we periodically require. We have the right to increase or decrease your contribution to the RD Ad Fund upon thirty (30) days written notice to you. The maximum contribution to the RD Ad Fund we may require from you will be two percent (2%) of your share of any Initial Franchise Fees or Royalty Fees you are due under your Regional Developer Agreement. Any Regional Developer Business owned by us must also contribute to the RD Ad Funds on the same basis as you.

As of the date of this Disclosure Document, there is no RD Ad Fund. Franchisor has the right to create an RD Ad Fund and to decide how it will be run. It may do so in the future. The specific manner in which it will be organized and governed has yet to be determined.

We will direct all marketing programs financed by the RD Ad Fund, and will have sole discretion over the creative concepts, materials and endorsements used by the RD Ad Fund, and the geographic, market, and media placement and allocation of the RD Ad Fund. RD Ad Fund contributions will be used primarily to promote and support the sale of Sparkle Salons. RD Ad Fund contributions may be used to pay the costs of administering such a program, including employing personal ~~and~~, paying for advertising, and marketing activities that we deem appropriate, including the costs of participating in any local, national or regional trade shows.

We are not under any obligation to spend any amount of money from the RD Ad Fund on advertising in your Development Area.

~~If and when an RD Ad Fund is established, it~~ is anticipated that all monies from the RD Ad Fund will be spent to solicit ~~new franchise sales~~ franchise sales. We may utilize the RD Ad Fund to offset internal expenses (including salaries of people who are involved in franchise sales), outside marketing agencies, broker networks, public relations companies, and other vendors and agencies that will assist us to develop a franchise sales pipeline. The RD Ad Fund 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 costs that we incur in activities reasonably related to the administration of the RD Ad Fund. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the RD Ad Fund in that year, and the RD Ad Fund may borrow from us or other lenders to cover the RD Ad Fund’s deficits or invest any surplus for future use by the RD Ad Fund. If we do not spend the aggregate contributions to the RD Ad Fund in a fiscal year, the unused funds will be rolled over for use in subsequent fiscal years.

Our RD Ad Fund will not be audited annually. We will prepare an annual statement of monies collected and costs incurred by the RD Ad Fund and will provide it to you upon your written request.

We may cause the RD Ad Fund 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 a Regional Developer Agreement. We do not have to ensure that the RD Ad Fund’s expenditures ~~in or~~ affecting any geographic area are proportionate or equivalent to the contributions made by any Regional Developer in that geographic

area, or that any Regional Developer will benefit from the development of advertising and marketing materials or the placement of advertising by the RD Ad Fund directly or in proportion to the Regional Developer's contribution to the RD Ad Fund. We are not required to spend any amounts from the RD Ad Fund for advertising in your Development Area. We assume no direct or indirect liability or obligation to you or any other franchise in connection with the establishment of an RD Ad Fund, or the collection, administration, or disbursement of monies paid into the RD Ad Fund.

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

We do not have, nor do we plan to have any advertising co-ops. Similarly, we do not have, nor plan to have, any advertising advisory councils.

### **Website**

You may not have a website separate from our website. You also may not host social media websites relating to your franchise, such as Facebook, Instagram, TikTok, LinkedIn, or other similar sites or platforms.

### **Computer System**

You must use the computer hardware and software (collectively, "Computer System") that we periodically designate to operate your Regional Developer Business. (Regional Developer Agreement, Section 6.12) You must obtain the Computer System, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may include or be limited to us and/or our affiliates). ~~(See Items 7 for more information regarding the cost and fees associated with the Computer System.)~~ 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 Regional Developer 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 the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

We ~~may~~ estimate that the annual costs of any optional or required maintenance, updating, upgrading, or support contracts for the Computer System will be less than \$1,000 per year.

We 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. ~~See Items 6 and 7 for information regarding the cost of required computer software, and the monthly fees associated with operating your Computer System.~~ The Technology Fee is currently \$250 per month. We may increase the Technology Fee 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..

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; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained and upgraded. Your Computer System must be capable of supporting our required software, with internet capability. The Computer System is used to track and store sales, leads, disclosures, communication with prospective franchisees, and your performance of support obligations to franchisees, relating to the operation of your Regional Developer Business and the other Regional Developer Businesses in the System. We have the right to access all information stored on your Computer System which relates to your franchise.

We estimate the cost of purchasing the Computer System and related software will range from \$1,500 to \$2,500. In addition to the cost of purchasing the hardware and software associated with the Computer System, you will be required to pay reoccurring charges associated with the continuing use and upgrade of our proprietary office management software. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System. Currently the Technology Fee is \$250 per month but is subject to change. We believe that the Technology Fee is the only ongoing cost you will incur to maintain the Computer System although this may change in the future. You will also be required to pay the monthly cost of maintaining high speed internet access at your site.

We will have independent access to the information that will be generated and stored on your Computer System. There are no limitations on when or how we may access such information.

### **Social Media**

We may organize and schedule national promotions (“National Promotions”). National Promotions may include, but are not limited to, charity events, price promotion (limited time deals and offers) and business segment drivers (events, open houses, charity promotion). You must participate in all National Promotions. Participation will require you, at a minimum, to advertise the National Promotions, promoting all National Promotions in your Development Area, and through approved digital media platforms.

### **Time between Agreement Signing and Opening**

The typical time from signing the Regional Developer Agreement to opening the Regional Developer Business is approximately one (1) month.

The factors that may affect the opening of the Regional Developer Business are the availability of the RD Training Program, delays in required state registrations, and your ability to dedicate the time and resources required to open and operate the Regional Developer Business.

## **ITEM 12 TERRITORY**

Your Regional Developer Agreement grants you ~~an exclusive~~ Development Area, the specific size and location of which depends on population demographics, your capacity to recruit prospective Franchisees and provide support services in the Development Area, and the number of Sparkle Salons we believe the Development Area can sustain. You and we will mutually agree on your Development Area when you sign the Regional Developer Agreement. There is no specific minimum or maximum area that we must include in your Development Area. However, your Development Area will usually be a geographic area such as a state or county but could vary depending on the circumstances. Your Development Area may not be changed unless you and we both agree to the change in writing.

If you comply with your Regional Developer Agreement, we and our affiliates will not operate, establish, grant, or operate another Regional Developer Business offering, or any Sparkle Salons not required to be developed under your Regional Developer Agreement in your Development Area. The continuation of your territorial exclusivity depends upon your compliance with the minimum development obligations defined in your Regional Developer Agreement. If you do not meet the minimum development obligations of your

Regional Developer Agreement, you will not have territorial exclusivity, and we may, at our option, terminate the Regional Developer Agreement. Currently, we anticipate that the range of development obligations for Development Areas will be between 10 and 100 Salons although we may modify these obligations on a case by case basis and/or on a moving forward basis.

Your territorial exclusivity is limited to the total number of franchises you are authorized to develop in your Development Area at the time of signing your Regional Developer Agreement. You may have the option to purchase the right to develop additional Sparkle Salons within your Development Area and receive additional territorial protection for additional Sparkle Salons within your Development Area (“Additional Salons”), but we are under no obligation to grant you such rights to develop Additional Salons. If we offer you the right to develop additional Sparkle Salons within your Development Area and you choose not to exercise the right to purchase the rights, we may develop or sell the right to develop Additional Salons within your Development Area and you will not receive any share of the Initial Franchise Fees, Royalty Fees, or other fees for such Sparkle Salons.

You may not relocate your Development Area without our express written consent. We do not currently permit Regional Developers to relocate their Development Area although we reserve the right to do so in the future on a case by case basis.

You may solicit prospective Franchisees residing outside your Development Area that are interested in opening a franchise within your exclusive Development Area without having to pay any special compensation to us or any other Regional Developer. Likewise, Regional Developer outlets owned by us, our affiliates (if applicable), or other Regional Developers may solicit Prospective Franchisees residing in your Development Area but interested in opening a franchise in another Development Area without having to pay you any special compensation. You may not solicit Prospective Franchisees for a Salon located outside of your exclusive Development Area. We will forward to you any leads or referrals that we receive from Prospective Franchisees interested in purchasing a Franchised Business in your Development Area, and you will be entitled to the compensation referred to in Item 11 only if these Prospective Franchisees purchase a Franchise in your Development Area.

You may only use those marketing platforms, including but not limited to the internet, telemarketing, or other direct marketing to attract Franchisees in the manner we designate or approve in writing.

### **Company Reserved Rights**

We and our affiliates reserve the right to engage in any activities we deem appropriate that your Regional Developer Agreement does not expressly prohibit, whenever and wherever we desire, including the right to:

- (a) establish and operate franchises, and grant rights to other persons to establish and operate franchises, on any terms and conditions we deem appropriate and at any locations other than within the Development Area;
- (b) establish and operate Sparkle Salons and/or grant other persons the right to establish and operate Sparkle Salons within the Development Area during the initial term, to the extent that such additional franchises exceed the total number of franchises you are authorized to development within your Development Area, and you decline to purchase the right to develop such additional Sparkle Salons;
- (c) provide and grant rights to other persons to provide, goods and services dissimilar to and/or not competitive with those provided by Sparkle Salons to customers located within your Development Area;
- (d) acquire the assets or ownership interest of one or more businesses providing products and services similar to those provided at Sparkle Salons, 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 within your Development Area); and

(e) be acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Sparkle Salons, or by another business, even if such business operates, franchises and/or licenses competitive businesses within your Development Area.

Neither we nor our affiliates intend to use other channels of distribution, such as the Internet, catalogs sales, telemarketing, or other direct marketing, to make sales within your Development Area of Products and Services under trademarks different from the ones you will use under the Regional Developer Agreement. Neither we nor our affiliates plan to operate or franchise a business under a different trademark that sells or will sell dog grooming services similar to those you will offer although we reserve the right to do so in the future.

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.

### 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 trademarks “Sparkle,” and “Sparkle ~~Dog Wash & Grooming BarCo.,~~” and other ~~marks we authorize~~ (trademarks and service marks that we specify from time to time (the "Marks") and design and ~~such other Marks as are~~ is designated in writing by Franchisor for your use. In addition, you may use them 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”) and all required affidavits have been filed:

| <u>Mark</u>    | <u>Serial Number</u> | <u>Application Date</u>   | <u>Registration Number</u> | <u>Registration Date</u> | <u>Register</u>  |
|----------------|----------------------|---------------------------|----------------------------|--------------------------|------------------|
| <u>SPARKLE</u> | <u>97610463</u>      | <u>September 28, 2022</u> | <u>7732664</u>             | <u>March 18, 2025</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.~~ and

| <b>Mark</b>                                | <b>Serial Number</b> | <b>Application Date</b>   | <b>Registration Number</b> | <b>Registration Date</b> | <b>Register</b>  |
|--------------------------------------------|----------------------|---------------------------|----------------------------|--------------------------|------------------|
| <b>SPARKLE</b>                             | <b>97610463</b>      | <b>September 28, 2022</b> | <b>N/A</b>                 | <b>N/A</b>               | <b>Principal</b> |
| <b>SPARKLE DOG WASH &amp; GROOMING BAR</b> | <b>97610476</b>      | <b>September 28, 2022</b> | <b>N/A</b>                 | <b>N/A</b>               | <b>Principal</b> |

~~We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.~~

All required affidavits have been filed:

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

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 proceedings, or any pending material federal or state court litigation regarding the franchisor's use or ownership rights to use 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 Marks identical or confusingly similar to our 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 Regional Developer 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 RD 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 Regional Developer 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 Owners develop any new concept, process or improvement



in the operation or promotion of a Sparkle Franchise (an “Improvement”), 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.”<sup>22</sup> You and your 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**

We recommend but do not require that you personally participate in the direct operation of your Regional Developer Business. If you do not personally participate in the direct operation of your franchise on a full-time basis, then you are obligated to have a fully trained Manager operate the Regional Developer Business. While we do not require that your Manager have an equity interest in the Regional Developer Business, we believe that only a person with an equity interest can adequately ensure that our standards of quality and competence are maintained. The Regional Developer Agreement requires that you (or Operating Principal if Franchisee is an Entity) be directly involved in the day-to-day operations and utilize your best efforts to promote and enhance the performance of the ~~Regional Developer~~Franchised Business. While in most cases Franchise Owners will seek additional assistance for the labor-intensive portions of the business, we have built our reputation on Franchise Owner participation and believe it is crucial for continued success.

Any Manager you employ at the launching of your franchise operations must complete the initial management-training course required by Franchisor. All subsequent Managers must be trained fully according to our standards by either the Franchise Owner or Franchisor. However, Franchisor may charge a fee for this additional training.

Each individual who holds an ownership interest in Regional Developer must personally guarantee all of the obligations of Regional Developer under the Regional Developer Agreement. ~~(See Exhibit 4 to the Your spouse must execute a personal guaranty or consent to your execution of a personal guaranty even if your spouse does not have an ownership interest in Regional Developer Agreement—Owner’s Guaranty and Assumption of Obligations).~~

At Franchisor’s request, you must obtain and deliver executed covenants of confidentiality and non-competition from any persons who have or may have an ownership interest in Regional Developer or in the Regional Developer Business, or who receive or have access to 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.

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

You must operate the Regional Developer Business in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as described in the Manuals and in other writings by Franchisor from time to time. You must use your Regional Developer Business Sales Office only for the operation of the Regional Developer Business and may not operate any other business at or from such office without the express prior written consent of Franchisor.

Regional Developer may only solicit franchises that will be operated in the Development Area. Regional Developer may solicit franchisees reside outside of the Development Area but only if the franchise will be operated in the Development Area.

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 Manuals, which Franchisor may change from time to time.

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 optional services.

We reserve the right to designate additional required or optional 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 services; however, such services will be reasonably related to our System or model.

## **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.**

| <b>Provision</b>                       | <b>Section in Regional Developer Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                          |
|----------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the term of the franchise | 4.1                                            | 10 years.                                                                                                                                                                                                                                                                               |
| b. Renewal or extension of the term    | 4.2                                            | Your renewal rights permit you to remain a Regional Developer after the Initial Term of your Regional Developer Agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to Renewal Term of 10 years in perpetuity. |

| Provision                                           | Section in Regional Developer Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| c. Requirements for you to renew or extend          | 4.2                                     | <u>Your renewal rights permit you to remain a Regional Developer after the Initial Term of your Regional Developer Agreement expires.</u> <del>You must</del> <u>If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to Renewal Term of 10 years in perpetuity You must, subject to applicable state law: have substantially complied with Regional Developer Agreement; give notice of intent to renew; sign general release of claims against us and related parties (see Exhibit H); pay the applicable renewal fee (see Item 6); cure any defaults; and pay all amounts owed to us, and sign a new Regional Developer Agreement in our then-current form which may, except as explicitly set forth in the Regional Developer Agreement, include new or different terms than contained in the current form of Regional Developer Agreement provided that the new Regional Developer Agreement will include Sections 3 (Exclusivity), 4 (Term), 8 (Payments to Regional Developer), and 11 (Assignability);</u> <del>sign general release of claims against us and related parties (see Exhibit H); pay the applicable renewal fee (see Item 6); cure any defaults; and pay all amounts owed to us.</del> |
| d. Termination by you                               | Not Applicable                          | You may terminate the Regional Developer Agreement on any grounds available at law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| e. Termination by us without cause                  | Not Applicable                          | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| f. Termination by us with cause                     | 13.1                                    | Only upon written notice to you <u>subject to applicable state law.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| g. “Cause” defined — curable defaults               | 13.1                                    | You do not pay us amounts due within 10 days after written notice; or you do not comply with any other provision of the Regional Developer Agreement within 30 days after written notice of default, <u>subject to applicable state law.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| h. “Cause” defined — defaults which cannot be cured | 13.1                                    | You make an unauthorized transfer; you fail to meet your Minimum Development Obligation for any development period; you make material misrepresentation or omission in acquiring or operating the franchise; you do not satisfactorily                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Provision                                                               | Section in Regional Developer Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                         |                                         | complete initial training; you are convicted of or plead guilty to a felony; you fail to maintain<br><br>required insurance; you engage in dishonest, unethical, or illegal conduct, or any conduct that we believe adversely affects the reputation of us, our franchises, or goodwill of the Marks; you knowingly make unauthorized use or disclosure of the Manuals or Confidential Information; you fail on 2 or more occasions in any 12-month period or 3 or more separate occasions in any 24-month period to timely pay amounts due or submit required reports, or comply with the Regional Developer Agreement; you become insolvent, or make an assignment for the benefit of creditors; or any attachment or seizure of the franchise assets is not vacated within 30 days, <a href="#">all subject to applicable state law</a> . |
| <del>i.</del> <del>“Transfer” by you – defined</del>                    | <del>11.3</del>                         | <del>Transfer includes: any voluntary, involuntary, direct or indirect assignment, sale, or gift of the franchise; transfer of ownership, merger, exchange, issuance of additional ownership interests, redemption of ownership interests, or sale of exchange of voting interests in you (if you are a legal entity); transfer of interest in the Regional Developer Agreement, you, the franchise, or its assets because of divorce, insolvency or dissolution, or operation of law; transfer because of the death of you or an Owner of you; or any pledge of the Regional Developer Agreement or ownership interest in you.</del>                                                                                                                                                                                                        |
| <del>i.</del> <del>j.</del> Your obligations on termination/non-renewal | 13.2                                    | <a href="#">Subject to applicable state law</a> , <del>Y</del> you must cease using our Marks and Confidential Information; cease identifying yourself as our franchisee; cancel fictitious or assumed names related to your use of the Marks; deliver to us within 30 days all advertising, forms, and other materials containing the Marks or related to the franchise; notify search engines of termination and your right to use domain names, websites, or other search engines related to the Marks or our franchises; and provide us with evidence of your compliance with the above obligations within 30 days of termination.                                                                                                                                                                                                       |
| <del>j.</del> <del>k.</del> Assignment of contract by us                | 11.1                                    | Fully transferable by us.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Provision                                                    | Section in Regional Developer Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| k. <u>“Transfer” by you - defined</u>                        | <u>11.3</u>                             | <u>Transfer includes: any voluntary, involuntary, direct or indirect assignment, sale, or gift of the franchise; transfer of ownership, merger, exchange, issuance of additional ownership interests, redemption of ownership interests, or sale of exchange of voting interests in you (if you are a legal entity); transfer of interest in the Regional Developer Agreement, you, the franchise, or its assets because of divorce, insolvency or dissolution, or operation of law; transfer because of the death of you or an Owner of you; or any pledge of the Regional Developer Agreement or ownership interest in you.</u>                                                                                                                                                                                                                                                                                                                                                                             |
| l. <del>Franchisor approval of transfer by franchisee.</del> | 11.2                                    | <u>Subject to applicable state law, A</u> any assignment or transfer without our approval is a breach of this Agreement and has no effect.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| m. Conditions for our approval of transfer by you            | 11.4                                    | <u>Subject to applicable state law, Y</u> you must pay all amounts owed to us; new owner assumes your obligations; new owner, its affiliates, and its owners do not have any interest in or work for a competitive business; new owner completes or agrees to complete initial training; new owners signs our then-current Regional Developer Agreement (and ancillary agreements; new owner has strictly complied with obligations to us and is not in default of those obligations; you pay us a transfer fee (see Item 6); you sign a release; you do not identify yourself as current or former franchisee of ours, or use <del>any</del> <u>the</u> Marks. You may transfer the Regional Developer Business and its assets to a newly formed legal entity principally controlled by you and your principals if the new entity operates the Regional Developer Business and complies with the Regional Developer Agreement, and you provide information about the transfer to us and the entities owners. |
| n. Our right of first refusal to acquire your business       | 11.8                                    | <del>We</del> <u>Subject to applicable state law, we</u> have 30 days to match any offer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| o. Our option to purchase your business                      | N/A                                     | We have no contractual right to purchase your RD Territory <u>subject to state law</u> . If we make <del>you</del> an offer to <u>you to</u> purchase your RD Territory, you are not obligated to accept our                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Provision                                                                 | Section in Regional Developer Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                           |                                         | offer or to sell the RD Territory to us, <u>subject to applicable state law</u> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| p. Your death or disability                                               | 11.7                                    | Executor, administrator, or other representative must transfer interest of franchisee or Owner within 9 months of your or an Owner's death or disability. All transfers are subject to provisions in Regional Developer Agreement regulating transfers.                                                                                                                                                                                                                                                                                                                                                                                         |
| q. Non-competition covenants during the term of the franchise             | 12.1                                    | Neither you, your principals, nor any immediate family members of you or them may, <u>subject to applicable state law</u> , perform services for or have any interest in any <del>competitive business</del> <u>subject to applicable state law</u> <del>business which derives more than fifty-thousand dollars (\$50,000) of revenue per year from dog grooming or pet wellness services and related retail products, or any business which grants franchises or licenses to others to operate such a business, other than a Sparkle Salon operated under a Franchise Agreement with us.</del>                                                |
| r. Non-competition covenants after the franchise is terminated or expires | 12.2                                    | Neither you, your principals, nor any immediate family members of you or them may perform services for or have any interest in any competitive business within the Development Area, the Development Area of any other Regional Developer, or within 25 miles of any Salon for 18 months. This provision is subject to applicable state law.                                                                                                                                                                                                                                                                                                    |
| s. Modification of the agreement                                          | 15.11                                   | No modifications unless you and we both sign; we may amend Manuals at any time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| t. Integration/merger clause                                              | 15.11                                   | The Regional Developer Agreement, <u>subject to applicable state law</u> , supersedes all prior agreements, representations, and promises. However, nothing in the Regional Developer Agreement <del>will have the effect of modifying or limiting</del> <u>or related agreements will disclaim</u> the representations made in this Franchise Disclosure Document, <del>or any of its attachments or addenda.</del><br><br><del>No claim made in any</del> <u>Only the terms of the</u> Regional Developer <del>or Franchise Agreement is intended to disclaim the express representation made in this Franchise Disclosure Document and</del> |

| Provision                                         | Section in Regional Developer Agreement | Summary                                                                                                                                                                                                                                              |
|---------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   |                                         | <u>other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and development agreement may not be enforceable.</u>                                          |
| u. Dispute resolution by arbitration or mediation | 14                                      | Except for certain identified claims, you and we must mediate all disputes between filing a demand for arbitration. Except for certain claims, you and we must arbitrate all disputes in Maricopa County, Arizona (subject to applicable state law). |
| v. Choice of forum                                | 15.7                                    | Maricopa County, Arizona (subject to applicable state law).                                                                                                                                                                                          |
| w. Choice of law                                  | 15.7                                    | Arizona law governs, except for matters regulated by the United States Trademark Act (subject to applicable 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 ~~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) financial performance representations in this disclosure document: (1) Total Visits, ~~New~~ Total Members, and Total ~~Members~~ for one (1) Revenue for Two Sparkle Salons During Each Salon's Grand Opening Period (3 Months); and (2) Total Visits, Total Members, and Total Revenue For One (1) Affiliate Owned Sparkle Salon in Gilbert, Arizona For Calendar Year 2024.

~~NET SALES, NEW MEMBERS AND TOTAL VISITS, TOTAL MEMBERS, AT ONE (1) AFFILIATE AND TOTAL REVENUE FOR TWO (2) OWNED SPARKLE SALON DURING ITS FIRST THREE (3) MONTHS OF OPERATION (DURING EACH SALON'S GRAND OPENING PERIOD) (OCTOBER 2023-DECEMBER 2023 3 MONTHS)~~

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

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

(+)

~~——“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 and credits the franchise actually makes.~~

(1) Total 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 TOTAL REVENUE FOR ONE (1) AFFILIATE OWNED  
SPARKLE SALON IN GILBERT, ARIZONA FOR CALENDAR YEAR 2024**

|  | <u>Month</u> |     |     |     |     |     |     |     |     |     |     |     |       |
|--|--------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
|  | Jan          | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |

| <u>Metric</u>        |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                  |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <u>Total Visits</u>  | <u>612</u>      | <u>636</u>      | <u>740</u>      | <u>721</u>      | <u>739</u>      | <u>778</u>      | <u>860</u>      | <u>845</u>      | <u>840</u>      | <u>948</u>      | <u>975</u>      | <u>1072</u>     | <u>9,766</u>     |
| <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>Total Revenue</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 ~~ITEM 20~~ OUTLETS AND FRANCHISEE INFORMATION**  
**(Regional Developers)**

**TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 202~~12~~ TO 202~~34~~**  
**(Regional Developers)**

| Outlet Type   | Year              | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change      |
|---------------|-------------------|----------------------------------|--------------------------------|-----------------|
| Franchisee    | 202 <del>12</del> | 0                                | 0                              | 0               |
|               | 202 <del>23</del> | 0                                | 0                              | 0               |
|               | 202 <del>34</del> | 0                                | <del>0</del> 9                 | <del>0</del> +9 |
| Company Owned | 202 <del>12</del> | 0                                | 0                              | 0               |
|               | 202 <del>23</del> | 0                                | 0                              | 0               |
|               | 202 <del>34</del> | <del>1</del> 0                   | <del>1</del> 0                 | <del>1</del> 0  |
| Total Outlets | 202 <del>12</del> | 0                                | 0                              | 0               |
|               | 202 <del>23</del> | 0                                | 0                              | 0               |
|               | 202 <del>34</del> | 0                                | <del>0</del> 9                 | <del>0</del> +9 |

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 202~~12~~ TO 202~~34~~**  
**(Regional Developers)**

| State      | Year              | Number of Transfers |
|------------|-------------------|---------------------|
| All States | 202 <del>12</del> | 0                   |
|            | <del>2022</del>   | <del>0</del>        |
|            | 2023              | 0                   |
|            | <u>2024</u>       | <u>0</u>            |

**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 202~~12~~ TO 202~~34~~**  
**(Regional Developers)**

| 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 |
|-----------------------|-------------------|--------------------------|----------------|-------------|--------------|--------------------------|---------------------------------|----------------------------|
| <u>Arkansas</u>       | <u>2022</u>       | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                       | <u>2023</u>       | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
| <del>All States</del> | 202 <del>14</del> | 0                        | <del>0</del> 1 | 0           | 0            | 0                        | 0                               | <del>0</del> 1             |
| <u>Colorado</u>       | <u>2022</u>       | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                       | <u>2023</u>       | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                       | <u>2024</u>       | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |

| 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 |
|--------------------------------|----------------------|--------------------------|----------------|-------------|--------------|--------------------------|---------------------------------|----------------------------|
| <a href="#">Florida</a>        | 2022                 | 0                        | 0              | 0           | 0            | 0                        | 0                               | 0                          |
|                                | 2023                 | 0                        | 0              | 0           | 0            | 0                        | 0                               | 0                          |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">Georgia</a>        | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">Missouri</a>       | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">New Jersey</a>     | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">Ohio</a>           | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">Oklahoma</a>       | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">South Carolina</a> | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">Texas</a>          | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
| <a href="#">Utah</a>           | <a href="#">2022</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2023</a> | <u>0</u>                 | <u>0</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>0</u>                   |
|                                | <a href="#">2024</a> | <u>0</u>                 | <u>1</u>       | <u>0</u>    | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |

**TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021<sup>2</sup> TO 2023<sup>4</sup>**  
**(Regional Developers)**

| 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 |
|------------|-------------------|--------------------------|----------------|--------------------------------------|----------------|-----------------------------|----------------------------|
| All States | 2021 <sup>2</sup> | 0                        | 0              | 0                                    | 0              | 0                           | 0                          |
|            | 2022 <sup>3</sup> | 0                        | 0              | 0                                    | 0              | 0                           | 0                          |

| 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 |
|-------|-------------------|--------------------------|----------------|--------------------------------------|----------------|-----------------------------|----------------------------|
|       | 2023 <del>4</del> | 0                        | <del>1</del> 0 | 0                                    | 0              | 0                           | <del>1</del> 0             |

**TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023~~4~~**  
**(Regional Developers)**

| 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 |
|---------------------------------------|-------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| <del>Georgia</del> California         | 0                                               | 1                                                        | 0                                                           |
| Illinois                              | 0                                               | 1                                                        | 0                                                           |
| Missouri                              | 0                                               | 1                                                        | 0                                                           |
| <del>Florida</del> North Carolina     | 0                                               | 1                                                        | 0                                                           |
| Texas                                 | 0                                               | 1                                                        | 0                                                           |
| Virginia                              | 0                                               | 1                                                        | 0                                                           |
| <del>All Other States</del> Wisconsin | 0                                               | <del>0</del> 1                                           | 0                                                           |
| Total                                 | 0                                               | <del>3</del> 7                                           | 0                                                           |

**Notes:**

Exhibit F lists the names of all of our ~~Franchisees~~Regional Developers and their addresses and telephone numbers as of December 31, 2023~~4~~. Exhibit F lists the ~~Franchisees~~Regional Developers 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~~Regional Developer 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.

We have one Regional Developer that operates in multiple states (Arkansas, Missouri, and Oklahoma). We have identified each state separately even though there is only one Regional Developer currently operating in each of those states.

There are no ~~franchisees~~Regional Developers 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.

During the last three fiscal years, no current or former ~~franchisees~~Regional Developers have signed confidentiality clauses that restrict them from discussing with you their experiences as a ~~franchisee~~Regional Developer in our franchise system.

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 ~~ITEM 21~~ FINANCIAL STATEMENTS

The ~~F~~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 ~~ITEM 22~~ CONTRACTS

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

- Regional Developer Agreement with State-Specific Addenda (Exhibit B)
- Owner's Guaranty and Assumption of Obligations (Exhibit 4 to Regional Developer Agreement)
- Confidentiality/Non-Disclosure Agreement (Exhibit E)
- General Release (Exhibit H)
- Addenda Required by Certain States and Small Business Administration



## ITEM 23 ~~ITEM 23~~ RECEIPT

~~Two copies of an acknowledgement of your receipt of this Disclosure Document appear at the end of this Disclosure Document. The Receipts are detachable and one copy must be signed by you and given to us. The other copy may be retained by you for your records. If this page or any other pages or exhibits are missing from your copy, please contact Franchisor at the address or phone number noted in Item 1~~

Exhibit J includes Receipts acknowledging that you received this Disclosure Document. Please return one Receipt to us and retain the other for your records. If you are missing from your copy these Receipts, please contact Franchisor at the 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

# DIRECTORY OF FRANCHISE REGULATORS, STATE ADMINISTRATORS, AND 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

## List of State Administrators

### 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

1455 Franzee Road, Suite 315  
San Diego, CA 92108  
(619) 610-2093

#### San Francisco

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

### 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

### 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 21202-2020  
(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, [14 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~~ [P.O. Box 41200,](#)  
~~Tumwater~~ [Olympia](#), WA 98504-1200+  
(360) 902-8760

### WISCONSIN:

Division of Securities  
Bureau of Regulation & Enforcement  
Department of Financial Institutions,  
4th Floor  
345 W. Washington Avenue  
Madison, WI 53703

## List of Agents for Service of Process

### CALIFORNIA

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

### DELAWARE

Corporation Service Company  
251 Little Falls Drive  
Wilmington, Delaware 19808

### 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

### MARYLAND

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020  
410.576.6360

### MICHIGAN

Michigan Department of  
Commerce  
Corporations and Securities Bureau  
6546 Mercantile Way  
Lansing, MI 48910

### MINNESOTA

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

### NEW YORK

New York Secretary of State  
99 Washington Avenue  
Albany, NY 12231-0001

### NORTH DAKOTA

Securities Commissioner of North  
Dakota  
State Capitol, ~~5th Floor~~  
600 East Boulevard Avenue, [14  
Floor Dept 414](#)  
Bismarck, ND 58505

### RHODE ISLAND

Director of Department of Business  
Regulation  
Securities Division  
John O. Pastore Center, Bldg. 69,  
1<sup>st</sup> Floor  
1511 Pontiac Avenue  
Cranston, RI 02920  
(401) 462-9585

### SOUTH DAKOTA

Director  
Division of Insurance  
Securities Regulation  
124 S. Euclid Suite 104  
Pierre, SD 57501  
(605) 773-3563

### VIRGINIA

Clerk, Virginia State Corporation  
Commission  
1300 East Main Street, 1st Floor  
Richmond, VA 23219  
(804) 371.9733

### WASHINGTON

Director, Securities Division  
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**  
**REGIONAL DEVELOPER AGREEMENT**

**REGIONAL DEVELOPER AGREEMENT**

**BETWEEN**

**SPARKLE FRANCHISING LLC**

**AND**

\_\_\_\_\_  
**DATED:** \_\_\_\_\_

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## REGIONAL DEVELOPER AGREEMENT

THIS REGIONAL DEVELOPER AGREEMENT (the “Agreement”) is made and entered into on \_\_\_\_\_ (the “Effective Date”), by and between Sparkle Franchising LLC, a Delaware limited liability company (“Company” “Franchisor” “we” “us” or “our”) and \_\_\_\_\_, a \_\_\_\_\_ (“Regional Developer” or “you”), with reference to the following facts:

This Agreement has been written in an informal style to make it more easily readable and to be sure that you are thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. We refer to you as “you,” or “Regional Developer”. If you are a corporation, partnership, or limited liability company, you will notice certain provisions of this Agreement are applicable to the shareholders, partners, or members of Regional Developer. Those individuals will be referred to in this Agreement as “Owners.”

Through the expenditure of considerable time, effort, and money, we and our affiliates have devised a system for the establishment and operation of retail businesses that provide dog grooming or pet wellness services for pet owners that makes it easy to keep furry family members clean, healthy, and happy (each a “Salon” or “Sparkle Salon”). We identify the System by the use of certain trademarks, service marks and other commercial symbols, including the word marks “~~“SPARKLE~~Sparkle,” and ~~certain associated taglines, designs, artwork, and logos, which we may change or add to~~“Sparkle Grooming Co.,” and other trademarks and service marks that we specify from time to time (the “Marks”).

From time to time, we grant to persons who meet our qualifications, the right to operate Sparkle Regional Developer Businesses who will open and operate or solicit and assist Franchisees in opening and operating an agreed number of Sparkle Salons within a defined geographic area (the “Development Area”) (the “Development Rights”).

Regional Developer desires to establish a business (a “Regional Developer Business”) under which it will solicit, qualify, train, and assist franchisees (the “Franchisees”) to build and operate Sparkle Salons within the Development Area, and we desire to grant to Regional Developer the right to operate the Regional Developer Business in accordance with the terms and upon the conditions contained in this Agreement.

### WHEREFORE, IT IS AGREED:

1. GRANT OF RIGHTS. Subject to the terms of this Agreement, we hereby grant to Regional Developer, and Regional Developer hereby accepts the rights, during the Initial Term, to solicit, screen, qualify for final approval by us, train, and assist Franchisees to open and operate Sparkle Salons in the Development Area.

### 2. REGIONAL DEVELOPER’S DEVELOPMENT OBLIGATION.

#### 2.1 Minimum Development Obligations and Development Schedule.

(a) Regional Developer shall solicit, screen, qualify, train, and assist Franchisees to construct, equip, open and operate the total number of Sparkle Salons described in Exhibit 2 (the “Minimum Development Obligation”), in the manner and within each of the time periods specified (the “Development Schedule”) within the Development Area.

(b) Each Franchise shall be the subject of a separate Franchise Agreement. We and the Franchisee shall enter into our then-current form of franchise agreement (the “Franchise Agreement”).



(c) Franchise Agreements executed according to this Agreement shall be counted in determining whether the Minimum Development Obligation has been met within the applicable Development Schedule.

2.2 Relief from Minimum Development Obligations. We may from time to time, in our sole discretion and as mutually agreed upon by the parties, relieve you from the obligation to sell franchises and/or satisfy the Minimum Development Obligations in the Development Area. If we do so, we (or our designee) will exercise commercially reasonable efforts to sell Sparkle Salons within the Development Area. However, neither we nor our designees make any promise or warranty that it will sell any number of Sparkle Salons within the Development Area during this relief period, including any number lesser or greater than the Minimum Development Obligations.

(a) With regard to the “commercially reasonable efforts” obligation above, it is understood that we (either directly or through our designee) will be responsible for all sales duties (prospective franchisee calls, presentations, follow-up and closings), and your franchise sales duties will be limited to reasonable support of, and cooperation with, us and (as applicable) our designees.

(b) For so long as we relieve you of franchise sales responsibilities in your Development Area and you perform the required support and cooperation duties with respect to existing franchisees, you shall be fully relieved of the Minimum Development Obligations. However, if we later decide to relinquish and re-delegate back to you such franchise sales responsibilities in your Development Area, then you will be required, for the remainder of the Term, to satisfy the remainder of the Minimum Development Obligations set forth in this Agreement.

(c) We will proportionately reduce the non-achieved portion of the Minimum Development Obligations for the time period that we handled franchise sales from the total of your Minimum Development Obligation. We shall pay you a commission equal to twenty-five percent (25%) of the initial franchise fee we actually collect from the sale of franchises during any time period that we are responsible for franchise sales in your Development Area. If we decide to offer initial Franchisees a limited time promotional discount of the initial franchise fee, then you hereby agree to your share of any such reduced fee shall also be reduced proportionately.

2.3 Additional Salons. Your territorial exclusivity is limited to the total number of franchises you are authorized to develop in your Development Area at the time of signing your Regional Developer Agreement. We may, in our discretion, grant you the option to purchase the right to develop additional Sparkle Salons within your Development Area and receive additional territorial protection for additional Sparkle Salons within your Development Area (“Additional Salons”). We are under no obligation to grant you the rights to develop Additional Salons. If we offer you the right to develop additional Sparkle Salons within your Development Area and you choose not to exercise the right to purchase and/or exercise such rights, we may develop or sell the right to develop Additional Salons within your Development Area and you will not receive any share of the Initial Franchise Fees, Royalty Fees, or other fees for such Sparkle Salons. The Development Fee for Additional Salons will be calculated using the formula utilized to establish the Development Fee under this Agreement.

2.4 Sales Office. Regional Developer shall establish and operate a franchise sales office (“Regional Developer Sales Office” or “Sales Office”) from any location you choose. We will not approve or disapprove the location of the Sales Office. You must open your Regional Developer Business within 30 days after you receive your initial training from us, or 90 days after signing your Regional Developer Agreement, whichever occurs first.

### 3. EXCLUSIVITY.

3.1 Territorial Rights. Except as provided in Section 3.2, as long as this Agreement is in effect, and you are in compliance with this Agreement and meet the Minimum Development Obligation stated in this Agreement, we and our affiliates will not operate, establish, or grant another Regional Developer Business offering Sparkle Salons in your Development Area.

3.2 Rights Maintained by Company. We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we desire, including, but not limited to:

(a) establish and operate Sparkle Salons and Regional Developer Businesses, and grant rights to other persons to establish and operate Sparkle Salons or Regional Developer Businesses on any terms and conditions we deem appropriate and at any locations other than within your Development Area;

(b) establish and operate Sparkle Salons and/or grant other persons the right to establish and operate Sparkle Salons within your Development Area to the extent that such additional Sparkle Salons exceed the total number of franchises you are authorized to develop~~ment~~ within your Development Area as described in Exhibit 1 and you decline to purchase the right to develop such additional Sparkle Salons;

(c) acquire the assets or ownership interest of one or more businesses providing Products and Services similar to those provided at Sparkle Salons, 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 within your Development Area; and

(d) be acquired (regardless of the form of transaction) by a business providing Products and Services similar to those provided at Sparkle Salons, or by another business, even if such business operates, franchises and/or licenses competitive businesses within your Development Area.

#### 4. TERM.

4.1 The initial term of this Agreement (the “Initial Term”) shall be for a period of ten (10) years commencing on the Effective Date, unless sooner terminated in accordance with the provisions of Section 13.

4.2 Regional Developer shall have the right to extend the Term for additional periods of ten (10) years each in perpetuity (each a “Renewal Term”) if: (i) Regional Developer has substantially complied with the Minimum Development Obligation and all of the other terms of this Agreement during the Initial Term; (ii) Regional Developer and all of its Owners and their spouses sign our general release form; (iii) we and Regional Developer mutually agree on new Minimum Development Obligations for the Development Area for the extension period based on then existing population, demographics, and other market conditions but the same cost per license as set forth in this Agreement; (iv) Regional Developer has paid a renewal fee equal to twenty-five percent (25%) of the original Development Fee described in Section 7 of the Regional Developer Agreement; and (v) Regional Developer signs the then current form of Regional Developer Agreement, which may contain updated terms and conditions provided that the new Regional Developer Agreement will include Sections 3 (Exclusivity), 4 (Term), 8 (Payments to Regional Developer), and 11 (Assignability), which will replace any conflicting terms in our then current form of Regional Developer Agreement. Except as detailed above, the new Regional Developer Agreement may contain terms and conditions different from those contained in this Agreement.. Under the general release, Regional Developer and its Owners and their spouses will waive any and all claims against us, our affiliates,

and our and their owners, officers, directors, employees, agents, successors and assigns. If Regional Developer wishes to extend the Initial Term, Regional Developer must notify us in writing no more than one hundred eighty (180) days and no less than ninety (90) days before the Initial Term would otherwise expire. The Initial Term and Renewal Term are collectively referred to as the “Term”.<sup>22</sup>

## 5. ADDITIONAL OBLIGATIONS OF COMPANY AND REGIONAL DEVELOPER.

5.1 Regional Developer Training. Within sixty (60) days after the Effective Date, but no later than thirty (30) days before you open your Regional Developer Business for business, we or our designee will provide approximately two (2) days of training to Regional Director on the operation of a Regional Developer Business. This training program may include classroom training and/or hands-on training and will be conducted at our corporate headquarters in Gilbert, Arizona, and/or at any other location(s) we designate. Regional Developer must complete the initial training to our satisfaction and participate in all other activities we require before soliciting Franchisees in the Development Area. Although we provide this training at no additional cost to Regional Developer, Regional Developer must pay all travel and living expenses which it and its attendees incur. We will not approve or disapprove of the site where you choose to operate your Regional Developer Business.

(a) If we determine that Regional Developer cannot complete initial training to our satisfaction, we may, at our option, either (1) require Regional Developer to attend additional training at Regional Developer’s expense (for which we may charge reasonable fees - not to exceed \$1,500 per person), or (2) terminate this Agreement

(b) Regional Developer shall participate in periodic webinars and sales calls scheduled by us for Regional Developer Businesses and attend a national business meeting or convention of up to three days each year. We may also require Regional Developer to attend up to two (2) additional or refresher training courses each year at our corporate offices, or another location we designate. We may charge reasonable fees for these courses, conventions, webinars, sales calls, and programs. Regional Developer is responsible for all travel and living expenses.

5.2 Franchisee Training. Regional Developer shall complete the initial training program for franchisees (“Franchisee Initial Training Program”) prior to opening the Regional Developer Business. If we determine that Regional Developer has not satisfactorily completed the Franchisee Initial Training Program, we may require Regional Developer to retake the Franchisee Initial Training Program until Regional Developer has satisfactorily completed the Franchisee Initial Training Program. - The Franchisee Initial Training Program is detailed in the Manuals.

### 5.3 Regional Developer Manual.

(a) We shall loan to Regional Developer one (1) copy of our Regional Developer manual (the “Manual for RDS”) and one (1) copy of our operations manual for Sparkle Salons (“Manual for Locations”) (collectively referred to as the “Manuals”). Regional Developer shall conduct all business activities in strict accordance with our standard operational methods and procedures as prescribed from time to time in the Manual for RDS. As used in the Agreement, the term “Manuals” shall be deemed to include the Manuals delivered or made available to Regional Developer, all amendments to the Manuals, and all supplemental bulletins, notices and memoranda which prescribe standard methods or techniques of operation, and which we may from time to time deliver to Regional Developer.

(b) We shall have the right to modify or supplement the Manuals. Such modifications and supplements shall be effective and binding on Regional Developer fifteen (15) days after notice thereof is mailed or otherwise delivered to Regional Developer. Regional Developer acknowledges and agrees that

modifications of and supplements to the Manuals may obligate Regional Developer to invest additional capital or incur higher operating costs.

(c) The Manuals are our property and may not be duplicated, copied, disclosed, or disseminated in whole or in part in any manner except with our express prior written consent. Regional Developer shall maintain the confidentiality of the Manuals. Upon the termination of this Agreement, Regional Developer shall return to us all copies of the Manuals in its possession or control. If Regional Developer's copy of the Manuals is lost, destroyed, or significantly damaged, Regional Developer agrees to obtain a replacement copy at our then-applicable charge.

5.4 General Guidance. We will provide guidance to Regional Developer in the Manuals and other bulletins or other written materials, by electronic media, and/or by telephone consultation. If Regional Developer requests and we agree to provide additional or special guidance, assistance or training, Regional Developer must pay our then-applicable charges, including our personnel's' per diem charges and any travel and living expenses.

5.5 Franchise Registration and Disclosure. We will make commercially reasonable efforts to maintain, amend, and renew documentation and/or registrations necessary for Regional Developer to solicit prospective Franchisees in the Development Area. Neither Regional Developer nor any representative of Regional Developer shall solicit prospective Franchisees until we have registered our current Franchise Disclosure Document in applicable jurisdictions in the Development Area and have provided Regional Developer with the requisite documents, or at any time when we notify Regional Developer that our registration is not then in effect, or our documents are not then in compliance with applicable law. If Regional Developer's activities according to this Agreement require the preparation, amendment, registration, or filing of information or any disclosure or other documents, then all requisite disclosure documents, ancillary documents, and registration applications shall be prepared and filed by us or our designee, and registration secured, before Regional Developer may solicit prospective Franchisees for Sparkle Salons. Costs of such registration applicable to Regional Developer shall be borne by Regional Developer. In particular, Regional Developer shall:

(a) prepare and forward to us verified financial statements of Regional Developer in such form and for such periods as shall be designated by us, including audited financial statements, if necessary and appropriate to comply with applicable legal disclosure, filing or other legal requirements;

(b) promptly provide all information reasonably required by us to prepare all requisite disclosure documents and ancillary documents for the offering of franchises throughout the Development Area; and

(c) execute all documents required by us for the purpose of registering Regional Developer and us to offer franchises throughout the Development Area.

Regional Developer agrees to review all information pertaining to Regional Developer prepared to comply with legal requirements for selling franchises in the Development Area and verify its accuracy if so requested by us. Regional Developer acknowledges that we and our affiliates and designees shall not be liable to Regional Developer for any errors, omissions or delays which occur in the preparation of such materials.

#### 5.6 Investigation and Qualification of Prospective Franchisees.

(a) Each Sparkle Salon opened by a Franchisee according to this Agreement shall be the subject of a separate Franchise Agreement with us upon our then-current form. Regional Developer shall have no right to modify or offer to modify any Franchise Agreement or other contract.

(b) If we approve a Franchisee and a prospective franchise location, Regional Developer shall transmit to such Franchisee for execution copies of our then-current Franchise Agreement pertaining to the approved site and providing for a protected territory surrounding said Sparkle Salon, as determined by us.

(c) Regional Developer shall investigate the qualifications of each prospective Franchisee and the suitability of each prospective franchise location in the Development Area in accordance with our standards, policies and procedures relating to qualification of Franchisees then in effect and shall obtain all information required of prospective Franchisees by us.

(d) After Regional Developer is satisfied that a prospective Franchisee meets the standards established by us, Regional Developer may recommend the approval of such prospective Franchisee. Regional Developer shall then furnish to us all information relating to the prospective Franchisee which shall be required by us in the form and manner customarily required by us.

(e) We may thereafter conduct or obtain such credit reports and background checks on Prospective Franchisees as we deem necessary or convenient.

(f) We may then approve or disapprove a Prospective Franchisee for any reason and may seek further information with respect to the prospective Franchisee. Regional Developer shall cooperate with us in any further investigation of the prospective Franchisee. If we reject a prospective Franchisee, we shall provide Regional Developer with a written explanation of the reasons therefor.

(g) Regional Developer shall deliver to us a copy of all correspondence with Franchisees which is material to the franchise relationship, concurrently with its being sent or received by Regional Developer.

(h) Regional Developer shall ensure that each Franchisee within your Development Area conducts a legal review of the laws applicable to Franchised Businesses within the Franchisee's state, and that such legal review is provided to us within thirty (30) days of signing their Franchise Agreement.

5.7 Training and Support. Regional Developer agrees to implement any training programs developed by us for Sparkle Salons and to provide such assistance and services as we shall reasonably request and require from time to time in connection with the construction, equipping and opening of Sparkle Salons within the Development Area, the sourcing of equipment, fixtures, furnishings, inventory and supplies for such Sparkle Salons, the advertising and promotion of such Sparkle Salons, and the supervision of the use, and compliance with our quality control standards in the use of the Marks at such Sparkle Salons. All services and assistance provided to Franchisees in connection with the operation of Sparkle Salons located in the Development Area will be provided by Regional Developer and such obligations of Regional Developer will not be transferred, delegated or subcontracted to any other person.

5.8 Inspection of Sparkle Salons and Operations. Regional Developer shall conduct inspections of all of the Sparkle Salons in the Development Area, and of its operations and the review of the operations of all Sparkle Salons in the Development Area, in accordance with the standards from time to time established by us, upon such schedules and according to such procedures as shall be agreed upon by us and Regional Developer, acting in good faith, but, in any event, at least once during each calendar quarter. Regional Developer shall provide reports to us with respect to the findings of such inspections, in

such form and at such time as we shall require. We reserve the right to conduct periodic inspections of your Regional Developer Business to ensure that you comply with this Agreement, the Manual for RDS, standards, and any of our other written directives. Regional Developer shall participate in all promotion and marketing activities required by us of our Regional Developers, as required in the Franchise Agreements, or otherwise.

5.9 Product and Service Purchases. Currently, we do not require our Regional Developers to purchase any products, supplies, or equipment from us, other than our proprietary software and marketing materials. We may, in the future, require you to purchase identified products or services only from us or a third party designated and licensed by us to prepare and sell such products (“Designated Suppliers”) and purchase from manufacturers, distributors, vendors and suppliers approved by us (“Approved Suppliers”) all other goods, products, materials and supplies (collectively, “Goods”), as well as advertising materials, furniture, fixtures, equipment, menus, forms, paper and plastic products, packaging or other materials (collectively, “Materials”) that meet the standards and specifications promulgated by us from time to time. We may require you to use only certain brands (collectively, “Approved Brands”) and prohibit you from using other brands. From time to time, we may modify the list of Approved Brands, and you may not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand. Neither Franchisor nor its affiliate are currently an Approved Supplier or a Designated Supplier for any Goods or Materials although we reserve the right to appoint Franchisor or an affiliate as an Approved Supplier or Designated Supplier of one or more Goods of Materials. 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 rejected that vendor, supplier, or item, in our discretion, within 30 days after receipt of all applicable information.

## 6. OPERATING STANDARDS.

6.1 Standard of Service. Regional Developer shall at all times give prompt, courteous, and efficient service to Franchisees in the Development Area. Regional Developer shall, in all dealings with Franchisees, prospective Franchisees and the public, adhere to the highest standards of honesty, integrity, fair dealings and ethical conduct.

6.2 Compliance with Laws and Good Business Practices. Regional Developer shall secure and maintain in force all required licenses, permits and certificates relating to Regional Developer’s activities under this Agreement and operate in full compliance with all applicable laws, ordinances, and regulations. Regional Developer acknowledges being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal, and termination of, and continuing relationship between parties to a franchise agreement, including, without limitation, laws concerning disclosure requirements. Regional Developer agrees promptly to become aware of and to comply with all such laws and legal requirements in force in the Development Area and to utilize only disclosure documents that we have approved for use in the applicable jurisdiction.

6.3 Accuracy of Information. Before it solicits any Prospective Franchisee, Regional Developer shall each time take reasonable steps to confirm with Franchisor that the information contained in any written materials, agreements and other documents related to the offer or sale of franchises is true, correct and not misleading at the time of such offer or sale and that the offer or sale of such franchise will not at that time be contrary to or in violation of any applicable state law related to the registration of the franchise offering. We shall provide Regional Developer with any changes to our disclosure documents and other agreements on a timely basis and, upon request, provide Regional Developer with confirmation that the information contained in any written materials, agreements or documents being used by Regional Developer is true, correct and not misleading, except for information specifically relating to disclosures regarding Regional Developer. If Regional Developer notifies us of an error in any information in our



documents, we shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations, or omissions in such information.

6.4 Notification of Litigation. Regional Developer shall notify us in writing within five (5) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award, and decree, by any court agency or other governmental instrumentality, which names Regional Developer or any of its Owners or otherwise concerns the operation or financial condition of Regional Developer, the Regional Developer Business or any Franchisee.

6.5 Insurance. Regional Developer shall at all times during the term of this Agreement maintain in force, at Regional Developer's sole expense, insurance written on an occurrence basis for the Regional Developer Business of the types, in the amounts and with such terms and conditions as we may from time to time prescribe in the Regional Developer Manual or otherwise. All of the required insurance policies shall name us and affiliates designated by use as additional insured, contain a waiver of the insurance company's right of subrogation against us and the designated affiliates, and provide that we will receive thirty (30) days' prior written notice of termination, expiration, cancellation, or modification of any such policy. You are responsible for any and all claims, losses, or damages, including to third persons, originating from, in connection with, or caused by your failure to name us as an additional insured on each insurance policy. You agree to defend, indemnify, and hold us harmless of, from, and with respect to any such claims, loss or damage arising out of your failure to name us as additional insured, which indemnity shall survive the termination or expiration and non-renewal of this Agreement. You are and will be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Regional Developer Business, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom; and you agree to defend, indemnify and hold us harmless of, from, and with respect to any such claims, loss or damage, which indemnity shall survive the termination or expiration and non-renewal of this Agreement. In addition to the requirements of the foregoing paragraphs of this Section 6.5, you must maintain any and all insurance coverage in such amounts and under such terms and conditions as may be required in connection with your lease or purchase of any premises used to operate your Regional Developer Business. Your obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under this Agreement. If you fail to pay the premiums for insurance required to operate your franchise, we may obtain insurance for you, and you will be required to reimburse us the amount we paid on your behalf plus ten percent (10%) as an administrative fee within ten (10) days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

6.6 Proof of Insurance Coverage. Regional Developer will provide proof of insurance to us before beginning operations of its Regional Developer Business. This proof will show that the insurer has been authorized to inform us in the event any policies lapse or are canceled or modified. We have the right to change the types, amount, and terms of insurance that Regional Developer is required to maintain by giving Regional Developer prior reasonable notice. Noncompliance with these insurance provisions shall be deemed a material breach of this Agreement, and in the event of any lapse in insurance coverage, we shall have the right, in addition to all other remedies, to demand that Regional Developer cease operations of its Regional Developer Business until coverage is reinstated or, in the alternative, to pay any delinquencies in premium payments and charge the same back to Regional Developer.

6.7 Advertising Requirements, Funds, and Cooperatives.

(a) Minimum Advertising Requirement. You must meet the minimum advertising requirement we establish for your Regional Developer Business ("Minimum Advertisement

Requirement”). We will establish the Minimum Advertising Requirement at the time you sign this Agreement. You may be required to provide receipts to show you are meeting this requirement. We reserve the right to increase the Minimum Advertisement Requirement for your Regional Developer Business if we determine that it is necessary for you to meet your Minimum Development Obligation.

(b) RD Ad Fund. We may create a national advertising fund (the “RD Ad Fund”) for our Regional Developer Businesses to promote and support franchise sales. ~~–(Regional Developer Agreement, Section 6.7(b))–~~ If and when we establish an RD AD Fund, Each Regional Developer must contribute to the RD Ad Fund such amounts that we periodically require. We have the right to increase or decrease your contribution to the RD Ad Fund upon thirty (30) days written notice to you. The maximum contribution to the RD Ad Fund we may require from you will be two percent (2%) of your share of any Initial Franchise Fees or Royalty Fees you are due under your Regional Developer Agreement. Any Regional Developer Business owned by us must also contribute to the RD Ad Funds on the same basis as you. We will direct all marketing programs financed by the RD Ad Fund, and will have sole discretion over the creative concepts, materials and endorsements used by the RD Ad Fund, and the geographic, market, and media placement and allocation of any RD Ad Fund. RD Ad Fund contributions will be used primarily to promote and support the sale of Franchised Businesses. RD Ad Fund contribution may be used to pay the costs of administering such a program, including employing personnel, ~~and~~ paying for advertising, and marketing activities that we deem appropriate, including the costs of participating in any national or regional trade shows. The RD Ad Fund 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 costs that we incur in activities reasonably related to the administration of the RD Ad Fund. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the RD Ad Fund in that year, and the RD Ad Fund may borrow from us or other lenders to cover the RD Ad Fund’s deficits or invest any surplus for future use by the RD Ad Fund. We will prepare an annual statement of monies collected and costs incurred by the RD Ad Fund and will provide it to you upon written request. We may cause the RD Ad Fund 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 a Regional Developer agreement. We do not have to ensure that the RD Ad Fund’s expenditures ~~in or affecting~~ any geographic area are proportionate or equivalent to the contributions made by any Regional Developer in that geographic area, or that any Regional Developer will benefit from the development of advertising and marketing materials or the placement of advertising by the RD Ad Fund directly or in proportion to the Regional Developer’s contribution to the RD Ad Fund. We assume no direct or indirect liability or obligation to you or any other franchise in connection with the establishment of an RD Ad Fund, or the collection, administration, or disbursement of monies paid into the RD Ad Fund. We may suspend contributions to, and the operation of, the RD Ad Fund for any period we deem appropriate and may terminate an RD Ad Fund upon 30 days’ written notice to you. All unspent monies held by the RD Ad Fund on the date of termination will be distributed to us, our affiliates, and you and our other Regional Developers in proportion to each party’s respective contributions to the RD Ad Fund during the preceding 12-month period. We may reinstate a terminated RD Ad Fund upon the same terms and conditions described in this Agreement upon 30 days’ advance written notice to you.

(c) We may establish a regional advertising cooperative that includes your Development Area. If we establish a local or regional advertising cooperative that covers all or any part of your Development Area, we will approve or disapprove any advertising, marketing, or promotional materials created by the cooperative. Though there currently are no local or regional cooperatives, we may create a cooperative to support the advertising and marketing needs of their respective members. You will be required to participate in the regional cooperative and to manage the cooperative on behalf of franchisees in the Development Area.



6.8 Approval of Advertising. Prior to use by Regional Developer, samples of all advertising and promotional materials not prepared or previously approved by us shall be submitted to us for approval, which approval shall not be unreasonably withheld. Regional Developer shall not use any advertising or promotional materials that we have not approved or have disapproved. Regional Developer acknowledges and understands that certain states require the filing of franchise sales advertising materials with the appropriate state agency prior to dissemination. Regional Developer agrees fully and timely to comply with such filing requirements at Regional Developer's own expense unless such advertising has been previously filed with the state by us. We may charge Regional Developer for the costs incurred by us in printing large quantities of advertising and marketing materials supplied by us to Regional Developer at Regional Developer's request.

6.9 Websites. As used in this Agreement, the term "Website" means an interactive electronic document contained in a network of computers linked by communications software that refers to the Marks, System, and Sparkle Salons, and includes but is not limited to, Internet and World Wide Web pages. You agree that you will not establish a separate Website for your Regional Developer Business, will refer all prospective franchisees to our Website, and you will ~~you~~ not use any social media websites, such as Facebook, Instagram, LinkedIn, etc., in connection with your franchise except as we approve in writing.

6.10 Accounting, Bookkeeping and Records. Regional Developer shall maintain at the Sales Office all original invoices, receipts, checks, contracts, licenses, acknowledgement of receipt forms, and bookkeeping and business records we require from time to time. Regional Developer shall furnish to us, within one hundred twenty (120) days after the end of Regional Developer's fiscal year, a balance sheet and profit and loss statement (audited by a CPA, if requested by us) for Regional Developer's business for such year (or a monthly or quarterly statement if required by us, in which case such statements also shall reflect year-to-date information). In addition, upon our request, within ten (10) days after such returns are filed, exact copies of federal and state income, sales and any other tax returns and such other forms, records, books, and other information as we periodically require regarding Regional Developer's business, shall be furnished to us. Regional Developer shall maintain all records and report of the business conducted according to this Agreement for at least two (2) years after the date of termination or expiration of this Agreement.

6.11 Reports. Regional Developer shall, as often as required by us, deliver written reports of the Regional Developer Business activities in such form and detail as we may from time to time specify, including information about efforts to solicit prospective Franchisees, the status of pending real estate transactions, and the status of Sparkle Salons.

6.12 Computer Systems.

(a) Regional Developer agrees to use the computer systems and operating software ("Computer System") that we specify from time to time. You acknowledge that we may modify such specifications and the components of the Computer System from time to time. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including without limitation a license to use proprietary software developed by us or others. Our modification of such specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or obtain by license new or modified computer hardware and/or software, and to obtain service and support for the Computer System during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications), and that the cost to you of obtaining the Computer System (or additions or modifications), including software, may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications). Within sixty (60) days after you receive notice from us, you agree to obtain the

components of the Computer System that we designate and require. You further acknowledge and agree that we and our affiliates have the right to charge a reasonable systems fee for software or systems installation services; modifications and enhancements specifically made for us or our affiliates that are licensed to you; and other maintenance and support Computer System related services that we or our affiliates furnish 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 third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

(b) The monthly technology fee for Regional Developers is currently \$250 per month (“Technology Fee”). The Technology Fee allows you to access our intranet site, including, training programs and our propriety software. Your monthly technology fee will be payable beginning the first month after you complete your initial training. We have the right to increase this amount in the future upon written notice to you.

(c) In addition, we may, at any time and from time to time, contract with one or more software providers, business service providers, or other third parties (individually, a “Service Provider”) to develop, license, or otherwise provide to or for the use and benefit of you and other franchisees the Company Software, software applications, and software maintenance and support services related to the Computer System that you must or may use in accordance with our instructions with respect to your Computer System.

6.13 Management of Business. The Regional Developer Agreement is signed by us and by you, or if you are an entity, one or more individuals with the authority to bind you (the “Operating Principal(s)”). The Operating Principal(s) shall have the authority to act for you in all matters relating to your Regional Developer Business. By signing the Regional Developer Agreement, you and the Operating Principal(s) agree to be individually bound by certain obligations in the Regional Developer Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Regional Developer 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. Operating Principal must personally participate in the operation of the Regional Developer Business. If Operating Principal does not personally participate in the direct operation of the Regional Developer Business on a full-time basis, then Regional Developer shall be obligated to have a fully trained Manager operate the Regional Developer Business. We require Operating Principal or a fully trained Manager to be directly involved in the day-to-day operations and utilize best efforts to promote and enhance the performance of the Regional Developer Business. Any Manager you employ at the must complete the initial management-training course required by the Company. All subsequent Managers must be trained fully according to our standards by either the Regional Developer or the Company. However, the Company may charge a fee for this additional training.

## 7. DEVELOPMENT FEE.

Regional Developer shall pay to us a non-refundable “Development Fee” payable upon execution of this Agreement in the amount specified on Exhibit 1 to this Agreement. If we require Regional Developer to acquire an in-depth demographic analysis of the Development Area, Regional Developer shall also purchase the demographic analysis from us or our designated supplier for the then-applicable fee.

## 8. PAYMENTS TO REGIONAL DEVELOPER.

8.1 Initial Fee Commission and Conditions of Payment. During the term of this Agreement, Regional Developer shall be paid a flat fee commission, as described in this Section, from the initial

franchise fees paid by Franchisees and/or Regional Developer for the purchase of Sparkle Salons to be located within the Development Area (the “Initial Fee Commission”), subject to fulfillment of the following conditions: (a) the Franchisee (or Regional Developer) executes a Franchise Agreement with us and an initial franchise fee has been paid to and actually received by us (we shall not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to us); and (b) Regional Developer has complied with all of its other obligations under this Agreement with respect to such sale and has verified the same to us in writing in a form prescribed by us. The Initial Fee Commission with respect to the sale of Sparkle franchises shall be an amount equal to fifty percent (50%) of the Initial Franchise Fee for each Sparkle franchise that is sold according to this Agreement minus any broker’s fees or sales commissions, if any, and will be payable to Regional Developer within twenty (20) days after the conditions of this Section 8.1 have been fulfilled. Currently at the time of this Agreement, the Initial Franchise Fee is \$39,000 and one half (50%) of the Initial Franchise Fee is Nineteen Thousand Five Hundred Dollars (\$19,500). In the event of a multi-unit discount or future increase of the Initial Franchise Fee, RD shall still receive 50% of the Initial Franchise Fees collected.

8.2 Commissions on Royalty Fees. We shall pay to Regional Developer, on the 10th day of the month after royalty payments are actually received by us from each Franchisee located in the Development Area:

(a) ~~8.3~~ From Sparkle Franchisees. Three percent (3%) of the Net Sales actually received by us from each Franchisee located in the Development Area during the applicable period according to their Franchise Agreement (“Royalty Fees”). The terms “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 and credits the franchise actually makes. If the Regional Developer has failed to conduct the periodic inspections described in Section 5.7 and/or failed to perform, in any material respect, with respect to one (1) or more Franchisees located in the Development Area, the other services described in Section 5 to be provided to Franchisees located in the Development Area during any applicable month, then Regional Developer shall not be entitled to receive commissions on Royalty Fees with respect to such Franchisees for the period during which inspections, reports or services were not provided.

~~8.3~~ 8.4 Commissions After Termination. All payments under this Section 8 shall immediately and permanently cease after the expiration or termination of this Agreement although Regional Developer shall receive all amounts which have accrued to Regional Developer as of the effective date of expiration or termination.

~~8.4~~ 8.5 Application of Payments. Our payments to Regional Developer shall be based on amounts actually collected from Franchisees, not on payments accrued, due, or owing. In the event of termination of a Franchise Agreement within the Development Area, we shall apply any payments received from a Franchisee to pay past due indebtedness of that Franchisee for Royalty Fees, advertising contributions, purchases from us or our affiliates, interest, or any other indebtedness on that Franchisee to us or our affiliates. To the extent that such payments are applied to a Franchisee’s overdue Royalty Fee payments, Regional Developer shall be entitled to its pro rata share of such payments, less its pro rata share of the costs of collection paid to third parties.

~~8.5~~ 8.6 Setoffs. Regional Developer shall not be allowed to set off amounts owed to us for fees or other amounts due under this Agreement against any monies owed to Regional Developer by us, which right to set-off, is hereby expressly waived by Regional Developer. We shall be allowed to set off against

amounts owed to Regional Developer for commissions, Royalty Fees, or other amounts due under this Agreement, any monies owed to us by Regional Developer.

## 9. MARKS.

9.1 Ownership and Goodwill of Marks. Regional Developer's right to use the Marks is derived from this Agreement and is limited to Regional Developer's operation of its Regional Developer Business. Regional Developer's unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. Regional Developer acknowledges and agrees that Regional Developer's use of the Marks and any goodwill established by that use are for our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon Regional Developer (other than the right to operate a Regional Developer Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we authorize Regional Developer to use.

9.2 Limitations on Regional Developer's Use of Marks. Regional Developer may not use anythe Marks: (1) as part of any corporate or legal business name; (2) with any prefix, suffix or other modifying words, terms, designs, symbols other than logos we have licensed to Regional Developer; (3) in selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine, without our consent; or (5) in any other manner we have not expressly authorized in writing. Regional Developer may not use anythe Marks in advertising the transfer, sale, or other disposition of Regional Developer's business under this Agreement or an ownership interest in Regional Developer (if a corporation, partnership, limited liability company or another business entity holds the Regional Developer Business at any time during this Agreement's term) without our prior written consent.

9.3 Notification of Infringements and Claims. Regional Developer agrees to notify us immediately of any apparent infringement of or challenge to Regional Developer's use of the Marks, or of any person's claim of any rights in anythe Marks, and not to communicate with any person other than us and our attorneys and Regional Developer's attorneys regarding any infringement, challenge, or claim. We may take action as we deem appropriate (including no action) and control any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning anythe Marks. Regional Developer agrees to sign any documents and take any actions 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.

9.4 Discontinuance of Use of Marks. If we believe at any time that it is advisable for us and/or Regional Developer to modify or discontinue using anythe Marks and/or use one or more additional or substitute trademarks or service marks, Regional Developer agrees to comply with our directions within a reasonable time after receiving notice. We need not reimburse Regional Developer for Regional Developer's expenses in complying with these directions, for any loss of revenue due to any modified or discontinued Marks, or for Regional Developer's expenses of promoting a modified or substituted trademark or service mark.

9.5 Indemnification for Use of Marks. We agree to indemnify and reimburse Regional Developer against and for all damages for which Regional Developer is held liable in any trademark infringement proceeding arising out of Regional Developer's authorized use of anythe Marks according to and in compliance with this Agreement, and for all costs Regional Developer reasonably incurs in the defense of any such claim in which Regional Developer is named as a party, so long as Regional Developer has timely notified us of the claim, and have otherwise complied with this Agreement. At our option, we may defend and control the defense of any proceeding relating to anythe Marks. We have the exclusive

right to control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to ~~any~~the Marks. Regional Developer agrees to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

10. CONFIDENTIAL INFORMATION. We possess (and may continue to develop and acquire) certain confidential information relating to the development and operation of Sparkle Salons and Regional Developer Businesses (the “Confidential Information”), which includes (without limitation): site selection criteria; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Sparkle Salons and Regional Developer Businesses; marketing research and promotional, marketing and advertising programs for Sparkle Salons and Regional Developer Businesses; knowledge of specifications for and suppliers or, and methods of ordering, certain operating assets and products that Sparkle Salons and Regional Developer Businesses use; knowledge of the operating results and financial performance of Sparkle Salons and Regional Developer Businesses; customer communication and retention programs, along with data used or generated in connection with those programs; graphic designs and related intellectual property; information generated by or used or developed in the operation of Sparkle Salons and Regional Developer Businesses, including customer names, addresses, telephone numbers and related information; and any other information designated confidential or proprietary by us. Regional Developer acknowledges and agrees that by entering into this Agreement, Regional Developer will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in accordance with this Agreement, and that Regional Developer’s use of any Confidential Information in any other business would constitute an unfair method of competition with us and our Franchisees.

10.1 Regional Developer acknowledges and agrees that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to Regional Developer only on the condition that Regional Developer agrees that Regional Developer:

- (a) will not use any Confidential Information in any other business or capacity;
- (b) will keep the Confidential Information absolutely confidential during and after this Agreement’s term;
- (c) will not make unauthorized copies of any Confidential Information disclosure via electronic medium or in written or other tangible form;
- (d) will adopt and implement all reasonable procedures that we periodically prescribe to prevent unauthorized use or disclosure of Confidential Information, including, without limitation: (i) restricting its disclosure to Regional Developer’s personnel and Franchisees needing to know such Confidential Information in order to develop and operate the Sparkle Salons; and (ii) requiring those having access to Confidential Information to sign confidentiality and non-disclosure agreements. We have the right to regulate the form of agreement that Regional Developer uses and to be a third-party beneficiary of that agreement with independent enforcement rights; and
- (e) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

10.2 All ideas, concepts, techniques, or materials relating to Sparkle Salons or Regional Developer Businesses, whether or not protectable intellectual property and whether created by or for Regional Developer or its employees, must be promptly disclosed to us and will be deemed to be our sole

and exclusive property and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, by this paragraph, Regional Developer assigns ownership of that item, and all related rights to that item, to us and agrees to sign whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

10.3 “Confidential Information” does not include information, knowledge, or know-how which is or becomes generally known in business consulting industry or which Regional Developer knew from previous business experience before we provided it to Regional Developer (directly or indirectly) or before Regional Developer attended our initial training program. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

10.4 Franchisor and Franchisee agree that a breach of this Section may cause irreparable harm to Franchisor and shall entitle Franchisor, in addition to any other remedies available to it under this Agreement or the law the right to seek injunctive relief, without proof of special damages, and without posting bond, as well as specific performance and other equitable relief enjoining such action and that such action seeking injunctive relief is not subject to mediation or arbitration.

## 11. ASSIGNABILITY.

11.1 Assignability by Company. We have the right to assign this Agreement, or any of our rights and privileges under this Agreement to any other person, firm, or corporation without Regional Developer’s prior consent, and we shall not be liable for any obligations accruing under this Agreement after the effective date of such assignment; provided the Assignee shall expressly assume and agree to perform our obligations under this Agreement and is reasonably capable of performing them. We have the right, but not the obligation, to cause a subsidiary or affiliate of ours to perform any or all of our obligations and exercise any or all of our rights under this Agreement and under any Franchise Agreement, and to require Regional Developer to perform any or all of its obligations hereunder, in favor of such subsidiary or affiliate, by delivery of written notice thereof to Regional Developer.

11.2 Assignment by Regional Developer. We have entered into this Agreement in reliance upon and in consideration of the singular personal skills, character, aptitude, business ability, financial capacity and qualifications of Regional Developer and the trust and confidence reposed in Regional Developer or, in the case of a business entity Regional Developer, its owners (individually, an “Owner”). Therefore, neither Regional Developer’s interest in this Agreement nor any of its rights or privileges hereunder shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner, without our prior written approval. Any assignment or transfer without our approval is a breach of this Agreement and has no effect.

11.3 In this Agreement, the term “Transfer” includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

(a) transfer of record or beneficial ownership of stock in Regional Developer (if Regional Developer is a corporation), a partnership or membership interest (if Regional Developer is a partnership or limited liability company), or any other ownership interest or right to receive all or a portion of Regional Developer’s profits or losses;

(b) a merger, consolidation or exchange of shares or other ownership interests, or issuance of additional ownership interest or securities representing or potentially representing shares or other ownership interests, or a redemption of shares or other ownership interests;

(c) any sale or exchange of voting interests or securities convertible to voting interests, or any agreement granting the right to exercise or control the exercise of the voting rights of any Owner or to control Regional Developer's operations or affairs;

(d) transfer of an interest in Regional Developer, this Agreement, or the Regional Developer Business or its assets (or any right to receive all or a portion of Regional Developer's business' profits or losses or any capital appreciation relating to the Regional Developer's business) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(e) if Regional Developer or an Owner (if Regional Developer is a business entity) dies, transfer of an interest in Regional Developer, this Agreement, or the Regional Developer Business or its assets (or any right to receive all or a portion of Regional Developer's or the Regional Developer Business profits or losses or any capital appreciation relating to the Regional Developer Business) by will, declaration or transfer in trust, or under the law of intestate succession; or

(f) pledge of this Agreement (to someone other than us) or of an ownership interest in Regional Developer (if Regional Developer is a business entity) as security, foreclosure upon the Development Area franchises, or Regional Developer's transfer, surrender or loss of the area development franchise possession, control, or management.

11.4 Conditions for Approval of Assignment or Transfer. We may impose any reasonable condition(s) to the granting of our consent to such assignments. Without limiting the generality of the foregoing, the imposition by us of any or all of the following conditions to our consent to any such assignment shall be deemed to be reasonable:

(a) that the Assignee (or the principal officers, shareholders, directors, or general partners of the Assignee in the case of a business entity Assignee) demonstrates that it has the skill, qualifications and economic resources necessary, in our judgment, reasonably exercised, to own and operate the Regional Developer Business;

(b) that Regional Developer has paid all amounts owed to us;

(c) that the Assignee shall expressly assume in writing for our benefit all of the obligations of Regional Developer under this Agreement and any other agreements proposed to be assigned to such Assignee;

(d) that neither the Assignee nor its owners or affiliates operates, has an ownership interest in or performs services for a Competitive Business (defined in Section 12.2);

(e) that the Assignee shall have completed (or agreed to complete) our training program;

(f) that the Assignee signs our then-current form of Regional Developer Agreement provided that those terms in Sections 2 (Regional Developer's Development Obligations), 3 (Exclusivity), 4 (Term), 8 (Payments to Regional Developer), and 11 (Assignability) of this Agreement will replace any conflicting terms in our then current form of Regional Developer Agreement and the new Regional Developer Agreement will include a new mutually agreed upon Development Schedule based on then existing population, demographics, and other market conditions but the same cost per license as set forth in this Agreement. Except as detailed above, the new Regional Developer Agreement may contain terms and conditions different from those contained in this Agreement.



(g) that as of the date of any such assignment, the assignor shall have strictly complied with all of its obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;

(h) that the Assignee is not then in default of any of the obligation to us under any agreement between such Assignee and us;

(i) that the assignor shall pay to us a transfer fee of Thirty Thousand Dollars (\$30,000), except for Transfers according to Section 11.5 below;

(j) that the assignor and the assignor's spouse (if any) shall sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective shareholders, officers, directors, employees, representatives, agents, successors and assigns; and

(k) that assignor will not directly or indirectly at any time or in any manner identify himself, herself or itself or any business as a current or former Sparkle Salon or as one of our Franchisees or Regional Developers, use ~~any~~the Marks, any colorable imitation of a Mark, or other indicia of a Sparkle Salon or Regional Developer Business in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with us.

11.5 Regional Developer shall not in any event have the right to pledge, encumber, charge, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without our express prior written permission, which permission may be withheld for any reason whatsoever in our sole subjective judgment.

11.6 Assignment to Entity Principally Controlled by You. The Regional Developer Business and its assets and liabilities may be assigned to a newly formed corporation or other legal entity that conducts no business other than the operation of the Regional Developer Business and in which you and any of your principals own and control in the aggregate not less than ninety percent (90%) of the equity and voting power of all outstanding capital stock or ownership interest, provided as follows:

(a) that the proposed transferee complies with the provisions of this Agreement; and

(b) that you are empowered to act for said corporation or other legal entity; and

(c) that you shall submit to us documentation that we may reasonably request to effectuate the transfer, including the approving and acknowledging execution of this Agreement; and

(d) that you shall submit to us a true and complete list of the shareholders, members or partners, showing number of shares or interests owned, and a list of the officers and directors if a corporation or managers if a limited liability company, or managing partners if a partnership. We shall be promptly notified of any changes in said lists; and

(e) that all certificates of shares or interests issued by transferee at any time shall be endorsed thereon the appropriate legend to conform with state law, referring to this Agreement by date and name of parties and stating, "Transfer to This Certificate is Limited by the Terms and Conditions of a Regional Developer Agreement dated \_\_\_\_\_;" and

(f) that a copy of this Agreement shall be given to every shareholder, member, or partner; and

(g) that a copy of the organizational documents and any corporate resolutions and a Certificate of Good Standing will be furnished to us at our reasonable request, and prompt notification in writing of any amendments will be provided to us; and

(h) that the number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written notice to us, which notice will in its terms guarantee compliance with this Agreement. In addition, new shareholders, members of partners must be approved by use and agree to be bound by this entire Agreement. Shareholders, members, or partners may make a separate agreement among them providing for purchase by the survivors amount them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as Franchisees under this Agreement. Shareholders, members, or partners must notify us in writing of any such agreement which affects control of the transferee.

#### 11.7 Death or Disability.

(a) Upon the death or disability of Regional Developer or an Owner, the executor, administrator, conservator, guardian, or other personal representative must assign, sell, or transfer Regional Developer's interest in this Agreement, the Regional Developer Business and its assets, or the Owner's ownership interest in Regional Developer, to a third party approved by us. That transfer (including, without limitation, transfer by bequest or inheritance) must occur, subject to our rights, within a reasonable time, not to exceed nine (9) months from the date of death or disability and is subject to all of the terms and conditions in this Section 11. A failure to transfer such interest within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Regional Developer from supervising the Development Area management and operation for ninety (90) or more consecutive days.

(b) If, upon the death or disability of Regional Developer or an Owner, a trained manager who we approve is not managing the day-to-day operations, then the executor, administrator, conservator, guardian, or other personal representative must, within a reasonable time not to exceed thirty (30) days from the date of death or disability, appoint a manager that we approve to operate the Regional Developer Business. The manager must, at Regional Developer's or the Owner's estate's expense, satisfactorily complete the training we designate with the specified time period.

#### 11.8 Company's Right of First Refusal.

(a) If Regional Developer determines to sell or transfer an interest in this Agreement or the Regional Developer Business, or if Owner determines to sell or transfer a controlling ownership interest in Regional Developer, then Regional Developer or the Owner, as applicable (the "Seller") must obtain from a responsible and fully disclosed buyer, and send us a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in Regional Developer or this Agreement and the Regional Developer Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments).

(b) We may, by delivering written notice to the Seller within ~~fifteen~~thirty (30) days after we receive both an exact copy of the offer and all other information requested, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) we may substitute cash and/or stock for any form or payment proposed in the offer; (2) our credit will be deemed

equal to the credit of any proposed buyer; (3) the closing will be not less than thirty (30) days after notifying the Seller of our election to purchase or, if later, the closing date proposed in the offer; and (4) we must receive, and the Seller agrees to make, all customary representations and warranties, given by the seller of the assets of a business or ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests and validity of contracts and the liabilities, contingent on otherwise, relating to the assets or ownership interests being purchased. If we exercise our right of first refusal, the Seller agrees that, for two (2) years beginning on the closing date, the Seller, Owners, and members of their immediate family will be bound by the non-competition covenant contained in Section 12.2 below.

(c) If we do not exercise our right of first refusal, the Seller may complete the sale to the proposed buyer on the original offer's terms, subject to our approval of the transfer as provided above. If the Seller does not complete the sale to the proposed buyer within sixty (60) days after we notify the Seller that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which the Seller must let us know promptly), our right of first refusal will continue as described in subsection (a) of this Section 11.8.

11.9 Ownership Structure. Regional Developer represents and warrants that all persons holding direct or indirect, legal or beneficial ownership interests in Regional Developer (collectively, the "Owners") are listed in Exhibit 3 and that its ownership structure is as described on Exhibit 3. In consideration of, and as an inducement to, the execution of this Agreement, each Owner of the Regional Developer and their respective spouses shall personally and unconditionally sign our form Guaranty and Acceptance of Obligations (Exhibit 4), guarantying to us and our successors and assigns that the Regional Developer will punctually pay and perform each and every undertaking, agreement and covenant described in the Agreement; and agreeing to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. Regional Developer shall not change its ownership structure without complying with all of the terms and conditions of this Section 11. Within ten (10) days of any change in Regional Developer's ownership structure, Regional Developer shall submit a revised Exhibit 3 to us showing the new ownership structure, and any new Owners shall sign our form Guaranty and Acceptance of Obligations (Exhibit 4).

## 12. NON-COMPETITION.

12.1 During the Term of this Agreement, neither Regional Developer, any of the owners of Regional Developer ("Owners"), nor any member of Regional Developer's or an Owner's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, controlling shareholder, employee, consultant, representative or agent, or in any other capacity, in a Competitive Business (defined below), whether located within or outside the Development Area, unless we shall first consent in writing.

12.2 For a 24 month period following the assignment, expiration or termination of this Agreement, for any reason, neither Regional Developer, any Owner, nor any member of Regional Developer's or an Owner's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located or operating: (a) within the Development Area; (b) within the Development Area of any of our other Regional Developers, (c) within twenty-five (25) miles of any Sparkle Salon or Regional Developer Business in operation or development on the date of assignment, expiration or termination; or (d) within any unsold development areas. The term "Competitive Business" means any business which derives more than Fifty-Thousand Dollars (\$50,000) of revenue per year from dog grooming or pet wellness services and related retail

products, or any business which grants franchises or licenses to others to operate such a business, other than a Sparkle Salon operated under a Franchise Agreement with us.

### 13. TERMINATION.

13.1 Termination by Company. We may terminate this Agreement, effective upon written notice of termination to Regional Developer, if:

(a) Regional Developer or one of its Owners makes or attempts to make a transfer in violation of Section 11;

(b) Regional Developer fails to meet the Minimum Development Obligations for any period of the Development Schedule, and we have not granted Regional Developer relief from such Minimum Development Obligations pursuant to Section 2.2;

(c) Regional Developer has made or makes a material misrepresentation or omission in acquiring the rights under this Agreement or in operating the Regional Developer Business;

(d) Regional Developer does not satisfactorily complete initial training;

(e) Regional Developer is convicted by a trial court of, or pleads no contest to, a felony;

(f) Regional Developer fails to maintain the insurance we require from time to time;

(g) Regional Developer or an Owner engages in any dishonest, unethical, or illegal conduct or any other conduct which, in our opinion, adversely affects our reputation, the reputation or other Sparkle Salons or the goodwill associated with the Marks;

(h) Regional Developer knowingly makes any unauthorized use or disclosure of any part of the Manuals or any other Confidential Information;

(i) Regional Developer (a) fails on three (3) or more separate occasions within any twenty-four (24) consecutive month period to submit when due reports or other data, information or supporting records, pay when due any amounts due to us (or our affiliates), or otherwise comply with this Agreement, whether or not Regional Developer corrects any of these failures after we deliver written notice to Regional Developer; or (b) fails on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligations under this Agreement, whether or not Regional Developer corrects either of the failures after we deliver written notice to Regional Developer;

(j) Regional Developer makes an assignment for the benefit of creditors or admits in writing insolvency or inability to pay debts generally as they become due; Regional Developer consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of the assets of the Regional Developer Business; or the assets of the Regional Developer Business are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within thirty (30) days following the order's entry;

(k) Regional Developer fails to comply with any other provision of this Agreement and does not correct the failure within thirty (30) days after we deliver written notice of the failure to Regional Developer;

(l) Regional Developer fails to pay any sums due to us and does not correct the failure within ten (10) days after we deliver written notice of that failure to Regional Developer; or

(m) Another agreement between Franchisor and Regional Developer or an Owner or affiliate of Regional Developer is terminated.

13.2 Rights and Obligations Upon Termination or Expiration. Upon the expiration of the Initial Term or Renewal Term, as the case may be, or upon the earlier termination of this Agreement, Regional Developer shall have no further right to construct, equip, own, open or operate additional Sparkle Salons (except as to a Franchise Agreement between Regional Developer and us which is in full force and effect on the date of expiration or termination). Upon expiration or termination of this Agreement, we may ourselves construct, equip, open, own or operate, or license others to construct, equip, open, own or operate Sparkle Salons in the Development Area, except as provided in any Franchise Agreement executed according to this Agreement. When this Agreement expires or is terminated for any reason and except as required to perform Regional Developer's obligations under a valid Franchise Agreement with us, Regional Developer shall:

(a) not directly or indirectly at any time thereafter or in any manner: (a) identify itself or any business as a current or former Regional Developer or ours; (b) use ~~any~~the Marks, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark or other indicia of an Sparkle Salon in any manner or for any purpose; or (c) use for any purpose any trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with us;

(b) take the actions required to cancel all fictitious or assumed name or equivalent registrations relating to Regional Developer's use of ~~any~~the Marks;

(c) deliver to us within thirty (30) days all advertising, marketing and promotional material, forms and other materials containing any Mark or otherwise identifying or relating to the Regional Developer Business or to a Sparkle Salon;

(d) if applicable, notify all search engines of the termination or expiration of Regional Developer's right to use all domain names, Websites and other search engines associated directly or indirectly with the Marks or Sparkle Salons and authorize those search engines to transfer to us or our designee all rights to the domain names, Websites and search engines relating to the Marks or Sparkle Salons. We have the absolute right and interest in and to all domain names, Websites and search engines associated with the Marks or Sparkle Salons, and Regional Developer hereby authorizes us to direct all applicable parties to transfer Regional Developer's domain names, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason whatsoever. All parties may accept this Agreement as conclusive of our right to such domain names, Websites and search engines and this Agreement will constitute the authority from Regional Developer for all parties to transfer all such domain names, Websites and search engines to us;

(e) immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials that we have loaned Regional Developer; and

(f) give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of Regional Developer's compliance with these obligations.

13.3 Termination Fee. In the event Regional Developer terminates this Agreement or ceases to do business, or Company terminates this Agreement pursuant to Section 13.1 of this Agreement, Regional Developer shall pay Company a termination fee equal to one-half of our highest then-current development fee for Regional Developer Businesses, plus our attorneys' fees and costs incurred in connection with the early termination.

#### 14. MEDIATION AND ARBITRATION.

14.1 Mediation. If a dispute arises under this Agreement, the parties agree to try to settle the dispute through good-faith participation in a mediation conducted by a mediator who is acceptable to both parties before proceeding to arbitration. However, we will not be required to proceed with mediation if we elect to enforce this Agreement or to seek temporary or permanent injunctive relief as provided above.

14.2 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.

#### 15. GENERAL CONDITIONS AND PROVISIONS.

15.1 Relationship of the Parties. Regional Developer 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; (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. 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 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.

15.2 Indemnification. To the fullest extent permitted by law, Regional Developer agrees to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, representatives, successors and assigns (the "Indemnified Parties") from and against, and to reimburse any one or more of the Indemnified Parties for any and all claims, obligations and damages directly or indirectly arising out of: (1) the Regional Developer Business conducted by Regional Developer according to this Agreement, (2) Regional Developer's breach of this Agreement, or (3) Regional Developer's non-compliance or alleged non-compliance with any law, ordinance, rule or regulation. For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness' fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at Regional Developer's expense, and Regional Developer may not settle any claim or take any other remedial, corrective, or other actions relating to any claim without our consent. This indemnity will continue in full force and effect subsequent to this Agreement's expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Regional Developer. Regional Developer agrees 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 Regional Developer.

15.3 Waiver and Delay. Except as otherwise expressly provided to the contrary, no waiver by us of any breach or series of breaches or defaults in performance by the Regional Developer, and no failure, refusal or neglect of or by us to exercise any right, power or option given to us under this Agreement or under any other agreement between us and Regional Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement) or to insist upon strict compliance with or performance of the Regional Developer's obligations under this Agreement or any other agreement between us and Regional Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement), shall constitute a novation, or a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

15.4 Survival of Covenants. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement or ancillary agreements, shall be enforceable during said expiration or other termination of this Agreement for any reason whatsoever.

15.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of us and Regional Developer.



15.6 Joint and Several Liability. If either party consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to the other under this Agreement are joint and several.

15.7 Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) and except for all issues relating to arbitrability or the enforcement or interpretation of the agreement to arbitrate described in Section 14 that will be governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law relating to arbitration, this Agreement and the Regional Developer Business will be governed by the internal laws of the State of Arizona (without reference to its choice of law and conflict of law rules), except that the provisions of any Arizona law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without reference to this Section. You agree that we may institute any action against you arising out of or relating to this Agreement (which is not required to be arbitrated hereunder or as to which arbitration is waived) in any state or federal court of general jurisdiction in Maricopa County, Arizona, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

15.8 Consent to Jurisdiction. Subject to Section 14 and the provisions below, Regional Developer and its owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between Regional Developer and us must be commenced in the State of Arizona, and in the state or federal court of general jurisdiction closest to where our principal business address then is located, and Regional Developer (and its Owners) irrevocably submits to the jurisdiction of those courts and waives any objection Regional Developer (or its owners) might have with either the jurisdiction of or venue in those courts. Nonetheless, Regional Developer and any of its Owners agree that we may enforce this Agreement and any arbitration orders and awards in the courts of the state or states in which Regional Developer or its Owners are domiciled.

15.9 Waiver of Punitive Damages and Jury Trial. Except for Regional Developer's obligation to indemnify us under Section 15.2 above and except where authorized by federal statute, we and Regional Developer and its Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and Regional Developer, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and Regional Developer irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

15.10 Limitation of Claims. Any and all claims arising out of or relating to this Agreement or our relationship with Regional Developer, except for claims for indemnification under Section 15.2 above, will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

15.11 Entire Agreement. This Agreement and the Exhibits incorporated in the Agreement contain all of the terms and conditions agreed upon by the parties to this Agreement with reference to the subject matter of this Agreement. No other agreements, and all prior agreements, understanding and representations are merged in this Agreement and superseded by this Agreement. Each party represents to the other that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement, provided that we may modify or amend the Manuals at any time without notice to, or approval of, Regional Developer or any other person. Nothing in this Agreement shall ~~have the effect of~~ serve to disclaiming any of the information in the Franchise Disclosure Document or its attachments or addenda.

15.12 Headings. Article and Section headings used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

15.13 Gender. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section or paragraph hereof may require.

15.14 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 thereof, to be invalid or contrary to or in conflict with any applicable present or future law and regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation or, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, we and Regional Developer 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. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or 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 provisions to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Regional Developer agrees 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.

15.15 Fees and Expenses. Should any party to this Agreement commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision of this Agreement, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision of this Agreement, or for a declaration of such party's rights or obligations under this Agreement, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

15.16 Notices. Except as otherwise expressly provided all written notices and reports permitted or required to be delivered by the parties according to this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by mail, via registered or certified mail, return receipt requested; or one (1) business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available, postage prepaid and addressed as follows:

|                           |                                                                                                                                                                       |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| If to Franchisor:         | Sparkle Franchising LLC<br><del>2270 E Williams Field Rd Suite 114, 4250 N</del><br><del>Drinkwater Blvd, Suite 165</del><br><del>Gilbert</del> Scottsdale, AZ 852951 |
| If to Regional Developer: |                                                                                                                                                                       |
|                           |                                                                                                                                                                       |
|                           |                                                                                                                                                                       |

Or to such other addresses any such party may designate by ten (10) days' advance written notice to the other party.

15.17 Time of Essence. Time shall be of the essence for all purposes of this Agreement.

15.18 Lien and Security Interest. To secure your performance under this Agreement and indebtedness for all sums due us or our affiliates, we shall have a lien upon, and you hereby grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it and the proceeds from all of the same: (a) all inventory now owned or after-acquired by you and the Regional Developer Business, including but not limited to all inventory and supplies transferred to or acquired by you in connection with this Agreement; (b) all accounts of you and/or the Regional Developer Business now existing or subsequently arising, together with all interest in you and/or the Regional Developer Business, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (c) all contract rights of you and/or the Regional Developer Business, now existing or subsequently arising; and (d) all general intangibles of you and/or the Regional Developer Business, now owned or existing, or after-acquired or subsequently arising. You agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us, that we deem necessary so that we may establish and maintain a valid security interest in and to these assets.

15.19 Cross-Default. Any default by Regional Developer under any other agreement between Franchisor or its affiliate as one party and Regional Developer or any of Regional Developer's owners or affiliates as the other party, shall be deemed to be a default of this Agreement, and Franchisor shall have the right, at its option, to terminate this Agreement without affording Regional Developer an opportunity to cure, effective immediately upon notice to the Regional Developer.

16. SUBMISSION OF AGREEMENT. This Agreement shall not be binding upon us unless and until it shall have been submitted to and signed by our authorized agent, and the date of said signing as described on the first page of this Agreement shall be the effective date of this Agreement.

17. ACKNOWLEDGMENTS. Regional Developer acknowledges the following:

17.1 That Regional Developer has independently investigated the Regional Developer Business franchise opportunity and recognizes that, like any other business, the nature of the Regional Developer Business may, and probably will, evolve and change over time.

17.2 That an investment in a Regional Developer Business involves business risks.

17.3 That Regional Developer's business abilities and efforts are vital Regional Developer's success.

17.4 That performing Regional Developer's obligations will require a high level of customer service and strict adherence to the System.

17.5 That Regional Developer has not received, and we expressly disclaim making any representation, warranty or guaranty, express or implied, as to the revenues, profits or success of a Regional Developer Business or any Sparkle Salon.

17.6 That any information Regional Developer has acquired from Franchisees or other Regional Developers regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information to induce us to sign this Agreement and grant Regional Developer the rights contained in this Agreement.

17.7 That Regional Developer has no knowledge of any representations made about the Regional Developer Business opportunity by us, our subsidiaries, or affiliates or any of their respective officers, directors, shareholders, or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms and conditions of this Agreement.

17.8 That in all of their dealing with Regional Developer, our officers, directors, employees, and agents act only in a representative, and not in an individual capacity and that business dealings between Regional Developer and them as a result of this Agreement are only between Regional Developer and us.

17.9 That ~~Regional Developer has represented to us, to induce us to enter into this Agreement,~~ ~~that~~ all statements Regional Developer has made, and all materials Regional Developer has given to us in acquiring the Regional Developer Business are accurate and complete and that Regional Developer has made no misrepresentations or material omissions in obtaining the Regional Developer Business.

17.10 That Regional Developer has read this Agreement and our Franchise Disclosure Document and understands and accepts that the terms and covenants in this Agreement are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Regional Developer Business and Sparkle Salon, and to protect and preserve the goodwill of the Marks.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE**

**IN WITNESS WHEREOF**, the parties to this Agreement have caused this Agreement to be executed as of the first date stated above.

**SPARKLE FRANCHISING, LLC** a Delaware **REGIONAL DEVELOPER**  
limited liability company

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

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

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

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

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

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

**EXHIBIT 1**  
**DEVELOPMENT AREA AND DEVELOPMENT RIGHTS**

Development Fee: \_\_\_\_\_

The Development Area referred to in Recital D of this Agreement shall be the following geographic area:

The total Development Rights (total number of Sparkle Salons authorized for development within the Development Area) are:

\_\_\_\_\_ Sparkle Salons

\_\_\_\_\_  
Regional Developer's Initials

**EXHIBIT 2**  
**MINIMUM DEVELOPMENT OBLIGATION**  
**DEVELOPMENT SCHEDULE**

Minimum Development Obligation:

\_\_\_\_\_ Sparkle Salons

All Sparkle Salons authorized for development as described in Exhibit 1.

Development Schedule:

All Sparkle Salons authorized for development in Exhibit 1 must be open for business on or before the development deadlines set forth in the Development Schedule below.

\_\_\_\_\_  
Regional Developer's Initials



**EXHIBIT 3**  
**OWNERSHIP STRUCTURE**

| <b>Owner Name</b> | <b>Owner Address</b> | <b>Percentage Ownership</b> |
|-------------------|----------------------|-----------------------------|
|                   |                      |                             |
|                   |                      |                             |
|                   |                      |                             |
|                   |                      |                             |
| <b>TOTAL</b>      |                      | <b>100%</b>                 |

**EXHIBIT 4**  
**OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the foregoing Regional Developer Agreement dated \_\_\_\_\_, 20\_\_\_\_ (“Agreement”) by Sparkle Franchising LLC, a Delaware limited liability company (“we” or “us”), and the Regional Developer (“Franchise Owner”), each of the undersigned owners of the Franchise Owner and their respective spouses (“you” or “Owner”), hereby personally and unconditionally (1) guarantees to us and our successors and assigns that the Franchise Owner will punctually pay and perform each and every undertaking, agreement and covenant described in the Agreement; and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement or this Agreement, including without limitation, monetary obligations, the obligations to take or refrain from taking certain actions and arbitration of disputes.

Each of you waives (1) protest and notice of default, demand for payment or nonperformance of any obligations guaranteed by this Guaranty; (2) any right you may have to require that an action be brought against Franchise Owner or any other person as a condition of your liability; (3) all right to payment or reimbursement from, or subrogation against, the Franchise Owner which you may have arising out of your guaranty of the Franchise Owner's obligations; and (4) any and all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantor.

Each of you consents and agrees that (1) your direct and immediate liability under this Guaranty shall be joint and several; (2) you will make any payment or render any performance required under the Agreement on demand if Franchise Owner fails or refuses to do so when required; (3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchise Owner or any other person; (4) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchise Owner or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims; and (5) this Guaranty will continue and be irrevocable during the term of the Agreement and afterward for so long as the Franchise Owner has any obligations under the Agreement.

We possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, and knowledge developed by us, including but not limited to: (1) services and products offered and sold at Sparkle Salons; (2) knowledge of sales and profit performance of any one or more Sparkle Salons; (3) knowledge of sources of products and services sold at Sparkle Salons, advertising and promotional programs, and image and decor; (4) Company Software; (5) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of your Sparkle Salons; and (6) the selection and methods of training employees. We will disclose much of the above-described information to you in advising you about site selection, providing our Initial Training, the Operations Manual, Company Software, and providing guidance and assistance to you under this Agreement. In addition, in the course of the operation of your Franchise, you or your employees may develop ideas, concepts, methods, or techniques of improvement relating to your Sparkle Salon that you disclose to us, and that we may then authorize you to use in the operation of your Franchise and may use or authorize others to use in other Sparkle Salons owned or franchised by us or our affiliates. Any such information disclosed to or developed by you will be referred to in this Agreement as “Confidential Information”.

You agree that your relationship with us does not vest in you any interest in the Confidential Information, other than the right to use it in the development and operation of your Sparkle Salon, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information belongs to us, may contain trade secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition that you

agree, and you therefore do agree, that you (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to your employees, and the use of non-disclosure and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information.

During the Term of the Franchise Agreement and for an eighteen (18) month period following the assignment, expiration or termination of the Franchise Agreement, neither Owner nor an Owner's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located or operating: (a) within the Development Area; (b) within the Development Area of any of our other Regional Developers, (c) within twenty-five (25) miles of any Sparkle Salon or Regional Developer Business in operation or development on the date of assignment, expiration or termination; or (d) within any prospective development areas that we have made reasonable efforts to sell during the preceding 12 month. The term "Competitive Business" means any business which derives more than Fifty-Thousand Dollars (\$50,000) of revenue per year from Fifty-Thousand Dollars (\$50,000) of revenue per year from assisted dog grooming or pet wellness and related retail products, or any business which grants franchises or licenses to others to operate such a business, other than a Sparkle Salon operated under a Franchise Agreement with us.

If the scope of any restriction contained in this Guaranty is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Franchisee each consent and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in this Section 10 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Guaranty, you agree to reimburse us for any of the above-listed costs and expenses incurred by us.

Any capitalized terms not defined shall be defined in a manner consistent with the Regional Developer Agreement and/or Franchise Agreement. This Guaranty is now executed as of the date stated in the first paragraph of this Agreement.

## SIGNATURE PAGE

| <b>OWNERS</b>                                                                                                                                                                                                                                                                                           | <b>OWNERS' SPOUSES</b>                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> <div>Printed Name: _____</div> <div>Date: _____</div> <div>Address: _____</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> | <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> <div>Printed Name: _____</div> <div>Date: _____</div> <div>Address: _____</div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> |
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**EXHIBIT 5**  
**STATE-SPECIFIC ADDENDA**  
**TO REGIONAL DEVELOPER AGREEMENT**

## CALIFORNIA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

**1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAY PRIOR TO EXECUTION OF AGREEMENT.**

**2.** ~~1.~~ California Business and Professions Code Sections 20000 through 20043 provide rights to Franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

**3.** ~~2.~~ If any of the provisions of the Agreement concerning termination are inconsistent with either the California Franchise Relations Act or with the Federal Bankruptcy Code (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

**4.** ~~3.~~ The Agreement requires that it be governed by Arizona law. This requirement may be unenforceable under California law.

**5.** ~~4.~~ You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under Franchise Business Relations Act (Business and Professions Code 20000 through 20043).

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this California Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware limited liability company      **REGIONAL DEVELOPER**

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

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

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

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

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

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

## HAWAII ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. The Franchise Agreements contain a provision requiring a general release as a condition of renewal and transfer of the Regional Developer Business. Such release will exclude claims arising under the Hawaii Franchise Investment Law.
2. Any provisions of your Franchise Agreement that relate to non-renewal, termination, and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.
3. The Franchise Agreement permits us to terminate the Agreement on the bankruptcy of you and/or your affiliates. This Article may not be enforceable under federal bankruptcy law. (11 U.S.C. § 101, *et seq.*).
4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Hawaii Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware limited liability company      **REGIONAL DEVELOPER**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## ILLINOIS ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Illinois law governs the ~~agreements between the parties to this franchise.~~Regional Developer Agreement
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act ~~states that~~, any provision in a ~~F~~franchise ~~A~~greement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a ~~F~~franchise ~~A~~greement may provide for arbitration to take place outside of Illinois.
3. ~~Franchisees~~Your rights upon ~~t~~Termination and ~~n~~Non-~~r~~Renewal ~~are described of an agreement are set forth~~ in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In ~~C~~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.
5. ~~The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition. 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.~~
6. 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 ~~the~~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 duly executed, sealed, and delivered this Illinois Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware limited liability company      **REGIONAL DEVELOPER**

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

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

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

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

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

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



## INDIANA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal and transfer of the Regional Developer Business. Such provision is inapplicable under the Indiana Deceptive Franchise Practices Law, IC 23-2-2.7 § 1(5).
2. Under Article 15.2, you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures or products which were required by us, if such procedures were utilized by you in the manner required by us.
3. Article 14.2 is amended to provide that arbitration between you and us will be conducted at a mutually agreed-on location.
4. Article 15.7 is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, I.C. 23-2-2.5, and the Indiana Deceptive Franchise Practices Law, I.C. 23-2-2.7, will prevail.
5. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.
6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Indiana Addendum to Regional Developer Agreement on the same date as Franchise Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware      **REGIONAL DEVELOPER**  
limited liability company

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## MARYLAND ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

~~Anything to the contrary described the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Maryland:~~

The provisions of this Addendum form an integral part of and are incorporated into the Regional Developer 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:

1. 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.

2. ~~The provision in Franchise Agreement which provides for termination upon bankruptcy of Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).~~

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:

3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. ~~A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.~~

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 opens.~~

Section 30 of the Regional Developer agreement is deleted in its entirety.

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Regional Developer agreement.

Except as expressly modified by this Addendum, the Regional Developer agreement remains unmodified and in full force and effect.

This Regional Developer 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.

~~6.~~ 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. Section 17 of the Regional Developer Agreement is deleted in its entirety.~~

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~~ Regional Developer 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 duly executed, sealed, and delivered this Maryland Addendum to Regional Developer Agreement on the same day as the Regional Developer Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware **REGIONAL DEVELOPER**  
limited liability company

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## MINNESOTA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Article 9 is amended to add the following:

“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.”

2. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal and transfer of the Regional Developer Business. Such release will exclude claims arising under the Minnesota Franchise Law.

3. Article 13 is amended to add the following:

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 a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of your Franchise Agreement.

4. Article 15.10 is amended as follows:

Pursuant to Minn. Stat. § 80C.17, Subd. 5, the parties agree 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.

5. Articles 15.8, and 15.9 are each amended to add the following:

Minn. Stat. Sec. 80C.2 1 and Minn. Rule 2860.4400J prohibit us from requiring litigation or arbitration to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Under this statute and rule, franchisor cannot require you to consent to injunctive relief; however, franchisor may seek injunctive relief from the Court. A court will determine if a bond is required.

6. Article 15.9 is amended to add the following:

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.

7. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum to the Agreement.

8. 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 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 with the franchise.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Minnesota Addendum to Regional Developer Agreement on the same day as the Regional Developer Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware **REGIONAL DEVELOPER**  
limited liability company

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## NEW YORK ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. ~~Article 11.1 is amended to add the following:~~ 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 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 ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND 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 THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

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 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, we will not make any such transfer or assignment except to a person who, in our good faith judgment, is willing and able to assume our obligations under this Agreement, and~~ However, to the extent required by applicable law, all rights you enjoyed by you and any causes of action arising in ~~its~~your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder ~~will~~shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

~~2. Article 15.7 is amended to add the following:~~

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee": You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

~~However, all rights enjoyed by you and any causes of action arising in its favor from the provisions of The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.~~

~~3. Article 15.2 is amended to add the following:~~

~~However, you will not be required to hold harmless or indemnify us for any claim arising out of a breach of this Agreement by us or any other civil wrong of us.~~

~~4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.~~

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.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this New York Addendum to ~~the~~ Regional Developer Agreement on the same ~~date~~day as the Regional Developer Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware **REGIONAL DEVELOPER**  
limited liability company

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

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

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

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

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

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



## NORTH DAKOTA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal or transfer of the Regional Developer Business. Such release is subject to and will exclude claims arising under the North Dakota Franchise Investment Law.
2. Article 12.2 of the Regional Development Agreement discloses the existence of certain covenants restricting competition to which franchisees must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
3. Article 13 of the Regional Development Agreement requires the franchisee to consent to termination or liquidated damages. 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. Delete the provision each place it appears in the disclosure document and agreements used in North Dakota.
4. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota
5. Article 14 of the Regional Development Agreement provides that the franchisee must agree to the arbitration or mediation of disputes, such arbitration or mediation to be held in Arizona. This will be amended to provide the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee's place of business.
6. ~~2.~~Article 15.7 and 15.8 will be amended to state that litigation involving a franchise purchased in North Dakota must be held in a location mutually agreed or if the parties cannot agree on a location, at a location to be determined by the arbitrator.
7. ~~3.~~Article 15.4 is amended to add that covenants not to compete on termination or expiration of a Regional Developer Agreement are generally not enforceable in the State of North Dakota except in limited circumstances provided by North Dakota law.
8. ~~4.~~Article 15.7 will be amended to add that any claim or right arising under the North Dakota Franchise Investment Law may be brought in the appropriate state or federal court in North Dakota, subject to the arbitration provision of the Agreement.
9. ~~5.~~Article 15.8 will be amended to state that, in the event of a conflict of law, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will prevail.
10. ~~6.~~Article 15.9 requires Franchisee to waive a trial by jury, as well as exemplary and punitive damages. These requirements are not enforceable in North Dakota pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law and are therefore not part of the Regional Developer Agreement.
11. ~~7.~~Article 15.10 requirement that Regional Developer consent to a limitation of claims period of one year is not consistent with North Dakota law. The limitation of claims period under the Regional Developer Agreement shall therefore be governed by North Dakota law.
12. ~~8.~~Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, are met independently without reference to this Addendum.

13. 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.

14. Based upon the franchisor's financial condition, 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 regional developer 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 duly executed, sealed, and delivered this North Dakota Addendum to the Regional Developer Agreement on the same day as the Regional Developer Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware limited liability company      **REGIONAL DEVELOPER**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## RHODE ISLAND ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Articles 4 and 11.4 each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Rhode Island Franchise Investment Act.

2. This Agreement requires that it be governed by Arizona law. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under Sec. 19-28.1-14.

3. Article 15.8 of the Agreement will each be amended by the addition of the following, which will be considered an integral part of this Agreement:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a Regional Developer 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.”

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act, §§ 19- 281.1 through 19-28.1-34, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Rhode Island Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

|                                                                         |                           |
|-------------------------------------------------------------------------|---------------------------|
| <b>SPARKLE FRANCHISING, LLC</b> a Delaware<br>limited liability company | <b>REGIONAL DEVELOPER</b> |
|-------------------------------------------------------------------------|---------------------------|

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**SOUTH DAKOTA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT**

Payment of Initial Franchise/Regional Developer 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.

| <u>SPARKLE FRANCHISING LLC</u> | <u>FRANCHISEE</u> |
|--------------------------------|-------------------|
| _____                          | _____             |
| By: _____                      | By: _____         |
| Title: _____                   | Title: _____      |
| Date: _____                    | Date: _____       |

## **VIRGINIA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT**

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Regional Developer 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the Regional Developer Agreement involved the use of undue influence by the Franchisor to induce Franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Virginia Addendum to Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware      **REGIONAL DEVELOPER**  
limited liability company

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## ~~WASHINGTON ADDENDUM TO REGIONAL DEVELOPER AGREEMENT~~

### WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

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, ~~C~~chapter 19.100 RCW will prevail.
- 2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement ~~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 franchise agreement ~~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 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.

- 4. General Release.** A release or waiver of rights ~~executed by a franchisee may 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.

- 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~~<sup>is</sup> 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.

~~The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.~~

~~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.~~

~~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.~~

**16. Questionnaires and Acknowledgments.** 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 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.

IN WITNESS WHEREOF, the parties have duly executed, sealed, and delivered this Washington Addendum to Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**SPARKLE FRANCHISING, LLC** a Delaware limited liability company      **REGIONAL DEVELOPER**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



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**OPERATIONS MANUALS TABLE OF CONTENTS**

**Regional Developer Manual**

**Sparkle<sup>+</sup>**



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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 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).







**CliftonLarsonAllen LLP**  
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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*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 1, 2024

**SPARKLE FRANCHISING LLC**  
**FINANCIAL STATEMENT**  
**JANUARY 31, 2024**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAAconnect.com](https://CLAAconnect.com)

**SPARKLE FRANCHISING LLC**  
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**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.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**EXHIBIT E**  
**CONFIDENTIALITY/NONDISCLOSURE AGREEMENT**

## CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (“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.

2. 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.

3. 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.

4. 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.

[THE REMAINDER OF THE PAGE IS INTENTIONALLY BLANK]

**IN WITNESS WHEREOF**, the parties have duly executed, sealed, and delivered this Agreement as of the day and year above written.

**APPLICANT:  
(IF APPLICANT IS AN ENTITY)**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**(IF APPLICANT IS AN INDIVIDUAL)**

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

**EMPLOYEE**

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Print Name  
Date: \_\_\_\_\_

**EMPLOYEE**

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Print Name  
Date: \_\_\_\_\_



**EXHIBIT F**  
**LIST OF FRANCHISEES (REGIONAL DEVELOPERS)**

(1) Opened ~~Franchisee Outlets~~ Regional Developers as of December 31, 20234.

| <u>Name</u>             | <u>Email</u>                               | <u>Phone</u>          | <u>Address</u>                                                 | <u>Region(s)</u>                            |
|-------------------------|--------------------------------------------|-----------------------|----------------------------------------------------------------|---------------------------------------------|
| <u>Shane Weber</u>      | <u>shane.weber@sparkledogcare.com</u>      | <u>(404) 964-3182</u> | <u>11800 Glass House Lane, Unit 1406<br/>Orlando, FL 32836</u> | <u>Florida</u>                              |
| <u>Ernest Arellano</u>  | <u>ernie.arellano@sparkledogcare.com</u>   | <u>(720) 275-0974</u> | <u>626 Lafayette Ct<br/>Sarasota, FL 34236</u>                 | <u>Denver</u>                               |
| <u>Cori Cammarano</u>   | <u>cori.cammarano@sparkledogcare.com</u>   | <u>(630) 209-0532</u> | <u>881 Napa Lane<br/>Aurora, IL 60502</u>                      | <u>Missouri,<br/>Oklahoma,<br/>Arkansas</u> |
| <u>Romeo Radulici</u>   | <u>romeo.radulici@sparkledogcare.com</u>   | <u>(440) 503-7110</u> | <u>16398 Logan Court<br/>Strongsville, OH 44136</u>            | <u>Ohio</u>                                 |
| <u>Ben Crawford Jr.</u> | <u>benjr@sparkledogcare.com</u>            | <u>(713) 591-7301</u> | <u>1042 E Fort Union Blvd PMB 228<br/>Midvale, UT 84047</u>    | <u>Utah</u>                                 |
| <u>Kevin Bock</u>       | <u>kevin.bock@sparkledogcare.com</u>       | <u>(770) 680-7418</u> | <u>19005 US 441, Ste 111<br/>Mount Dora, FL 32757</u>          | <u>Georgia</u>                              |
| <u>Karim Bousleiman</u> | <u>karim.bousleiman@sparkledogcare.com</u> | <u>(201) 788-0223</u> | <u>289 Park Avenue<br/>South, New York, NY 10010</u>           | <u>New Jersey</u>                           |
| <u>Greg Kilbride</u>    | <u>greg.kilbride@sparkledogcare.com</u>    | <u>(815) 275-8002</u> | <u>13163 Ranch Road, Apt. 9102,<br/>Jacksonville, FL 32218</u> | <u>South Carolina</u>                       |
| <u>Kumar Patel</u>      | <u>kumar.patel@sparkledogcare.com</u>      | <u>(303) 507-9309</u> | <u>300 Maraviya Blvd<br/>Venice, FL 34275</u>                  | <u>Texas</u>                                |

**None.**

(2) ~~Franchisees~~ 2) Regional Developers With Signed ~~Franchise~~ Regional Developer Agreements ~~But Outlet Who~~ Have Not Yet Opened as of December 31, 20234

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**  
**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES**  
**REQUIRED BY THE STATE OF CALIFORNIA**

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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, AT LEAST 14 DAY PRIOR TO EXECUTION OF AGREEMENT.

~~See the cover page of the disclosure document for Sparkle~~The Franchising~~or's~~ URL~~web~~ address: is: [www.hello@sparkledogcare.com](mailto:www.hello@sparkledogcare.com)

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

**COVER PAGE, RISK FACTOR:**

**Spousal Liability:** Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

**ITEM 1, INDUSTRY SPECIFIC REGULATIONS.**

~~The following statement is added to the "Industry Specific Regulations" section in Item 1.~~

~~As of January 1, 2016, new certified massage therapist applicants must have completed 500 hours of education at a California Massage Therapy Council ("CAMTC") approved school and pass a CAMTC approved exam.~~

**ITEM 3, LITIGATION.**

The following statement is added to Item 3:

Neither Franchisor nor any person listed 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 parties from membership in such association or exchange.

**ITEM 6, OTHER FEES.**

The highest interest rate allowed in California is ten percent (10%) per annum.

## **ITEM 17, ADDITIONAL DISCLOSURES.**

The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of the ~~Squeeze Shop~~ Sparkle Salon. If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

### **Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy:**

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division

You must sign a general release if you transfer or renew your franchise. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

**~~Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.~~**

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.

## **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**

~~Cover Page, Risk Factors.~~ Illinois law governs the Regional Developer Agreement

~~The following statement is added at the end of the first Risk Factor:~~

~~SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT PROVIDES THAT ANY PROVISION IN A FRANCHISE AGREEMENT WHICH DESIGNATES JURISDICTION OR VENUE IN A FORUM OUTSIDE OF ILLINOIS IS VOID WITH RESPECT TO ANY CAUSE OF ACTION WHICH OTHERWISE IS ENFORCEABLE IN ILLINOIS.~~

~~NOTWITHSTANDING THE FOREGOING, ILLINOIS LAW SHALL GOVERN THE FRANCHISE AGREEMENT.~~

~~“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.~~

~~In conformance with Section 4 of the Illinois Franchise Disclosure Act will govern any Franchise Agreement if it applies to, any provision in a subfranchise located in Illinois.~~

~~Any condition in the Franchise Agreement that designates jurisdiction or~~ and venue in a forum outside of the State of Illinois is void. ~~with respect to any cause of action that otherwise is enforceable in Illinois, provided that the~~ However, a Franchise Agreement may provide for ~~mediation in a forum~~ 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 ~~S~~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).~~

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.

## **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 of this Addendum form an integral part of and are incorporated into the Franchise disclosure document. 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 within or operated in the sState of Maryland.

The following sentences are added to the end of Sections 16.2(i) and 17:

~~The provisions in the Franchise Agreement relating to the~~ Pursuant to COMAR 02.02.08.16L, 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 following sentence is added to the end of Section 27.4:

~~Lawsuits by either you or us may take place~~ Notwithstanding the foregoing, you 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.~~ The following sentence is added to the end of Section 27.8:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise ~~to you~~.

Section 30 of the Regional Developer agreement is deleted in its entirety.

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Regional Developer agreement.

Except as expressly modified by this Addendum, the Regional Developer agreement remains unmodified and in full force and effect.

This Regional Developer 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 Regional Developer agreement. In addition, all

development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

## **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.

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 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 with the franchise.

### **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.~~ 1. 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 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 ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND 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 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:

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.~~ 3. 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 proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

~~4.~~ 4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee": You may terminate the agreement on any grounds available by law.

~~5.~~ 5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

~~6.~~ 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.~~ 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.

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 agree that the place of mediation will be a location that is in close proximity to the site of your Salon.

The 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 law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

Although the Franchise Agreement provides that it will be governed by and construed in accordance with the laws of the State of Arizona, we agree that the laws of the State of North Dakota will govern the construction and interpretation of the Franchise Agreement.

A contractual requirement that you sign a general release may be unenforceable under the laws of North Dakota.

Although the Franchise Agreement requires the franchisee to consent to a waiver of trial by jury, the Commissioner 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.

Although the Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages, the Commissioner had determined 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.

Although 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 therefore governed by North Dakota law.

~~To the extent any provision of the Franchise Agreement requires you to consent to a waiver of exemplary or punitive damages, the provision will be deemed null and 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.

Based upon the franchisor's financial condition, 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 regional developer agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

## **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 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 WASHINGTON**

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, ~~C~~chapter 19.100 RCW will prevail.
- 2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement ~~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 franchise agreement ~~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 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.
- 4. General Release.** A release or waiver of rights ~~executed by a franchisee may 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.
- 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 the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

~~The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.~~

~~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.~~

~~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.~~

**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 parties do hereby acknowledge receipt of this Addendum.

**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 Salon 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 Releasers”) 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 Releaser 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 Releaser 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 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.

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 Releasers are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasers 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 Releasor.

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 neuteral, 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**  
**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:

| <b>State</b>    | <b>Effective Date</b> |
|-----------------|-----------------------|
| California      | Pending               |
| Hawaii          | Pending               |
| Illinois        | Pending               |
| Indiana         | Pending               |
| Maryland        | Pending               |
| <b>Michigan</b> | <b>Pending</b>        |
| Minnesota       | Pending               |
| New York        | Pending               |
| North Dakota    | Pending               |
| Rhode Island    | Pending               |
| South Dakota    | Pending               |
| Virginia        | Pending               |
| Washington      | Pending               |
| Wisconsin       | Pending               |

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 J  
RECEIPT  
(RETAIN THIS COPY FOR YOUR RECORDS)**

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 [Sparkle Franchising, LLC](#) offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale.

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 [Sparkle Franchising, LLC](#) does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency.

The issuance date for this Franchise Disclosure Document is ~~March 1~~ [April 29](#), 2024~~5~~.

I have received a Disclosure Document dated ~~March 1~~ [April 29](#), 2024~~5~~ that included the following Exhibits:

- |                                                                        |                                      |
|------------------------------------------------------------------------|--------------------------------------|
| A. List of State Administrators /List of Agents for Service of Process | F. Franchisee Lists                  |
| B. Regional Developer Agreement                                        | G. State Specific Disclosures        |
| C. Operations Manual Table of Contents                                 | H. Form of General Release Agreement |
| D. Financial Statements                                                | I. State Effective Dates             |
| E. Confidentiality/Non-Disclosure Agreement                            | J. Receipt (2 copies)                |

|                                                                                 |                                                                                 |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Prospective Franchisee<br><br>_____<br><br>Print Name: _____<br><br>Date: _____ | Prospective Franchisee<br><br>_____<br><br>Print Name: _____<br><br>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: \_\_\_\_\_

**EXHIBIT J  
RECEIPT  
(RETURN THIS COPY TO US)**

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|                                                                                 |                                                                                 |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Prospective Franchisee<br><br>_____<br><br>Print Name: _____<br><br>Date: _____ | Prospective Franchisee<br><br>_____<br><br>Print Name: _____<br><br>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: \_\_\_\_\_

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