

FRANCHISE DISCLOSURE DOCUMENT

FRENCHIES
modern nail care

FRENCHIES, LLC
a Colorado limited liability company
550 Reserve Street, Suite 380
Southlake, Texas 76092
Telephone: 720.526.2935
franchise@frenchiesnails.com
www.frenchiesnails.com

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550 Reserve Street, Suite 380
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~~You will operate a FRENCHIES, LLC is offering franchises for the use of the trademark “FRENCHIES”® and related trademarks and service marks for the operation of a business offering hand and foot care services for men and women and the sale of related products (“Nail and services that Franchisor authorizes under the trade name and trademark FRENCHIES”® (“Studio”).~~

~~The total investment ~~required~~necessary to begin ~~operating a FRENCHIES franchise~~operation of a Studio ranges from \$~~299,542~~452,126 to \$~~543,231~~507,033. This includes \$~~52,317 to \$53,756~~the \$58,000 that you must ~~pay~~be paid to the franchisor or its affiliates. We may also offer you affiliate. The total investment necessary to purchase the right to ~~develop~~open two (2) or more Nail Studios. You would then sign an “Area Development Agreement” and pay a Development Fee equal to the sum of the initial franchise fee for each franchise you agree to open, which will be equal to \$49,500, for your ~~begin operation of the first~~ Nail Studio, plus a ~~range~~ranges from \$39,500 to \$29,500 per additional Nail Studio you agree to develop, depending on the number of Nail Studios you agree to develop. If you pay a Development Fee, you will not pay an Initial Franchise Fee. Your estimated initial investment will vary based on the number of Nail Studios franchises to be developed.~~

~~492,126 to \$547,033. This Disclosure Document includes the \$98,000 that must be paid to the franchisor or affiliate. The total investment necessary to purchase the right to open three Studios and to begin operation of the first ranges from \$522,126 to \$577,033. This includes the \$128,000 that must be paid to the franchisor or affiliate.~~

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

You may ~~want~~wish to receive your Disclosure Document disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats ~~for this Disclosure Document~~, contact our Brand Leader, Scot Cannon, at the address and telephone number above. 550 Reserve Street, Suite 380, Southlake, Texas 76092 or (720) 526-2935.

The terms of your contract will govern your franchise relationship. ~~Please do~~Do not rely on ~~this Disclosure Document~~the disclosure document alone to understand your contract. Read all of your ~~entire~~ contract carefully. Show your contract and this ~~Disclosure Document~~disclosure document to an advisor, like a lawyer or ~~an~~ accountant.

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

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

~~ISSUANCE DATE: April 22, 2024, as amended November 4, 2024.~~

Issuance Date: April 2, 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
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E. <u>G.</u>
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Frenchies Modern Nail Care <u>businessstore</u> in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Frenchies Modern Nail Care franchisee?	Item 20 or Exhibit E <u>G</u> lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this 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-H](#).

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~~franchise agreement and ~~Area Development Agreement~~development agreement require that all disagreements be settleddevelopment agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in ~~Colorado.~~ Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. ~~It may also cost more to mediate, arbitrate, or litigate with~~ the franchisor in ~~Colorado~~Texas than in your ~~home~~own state.
2. **Mandatory Minimum Payments.** ~~You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.~~
- ~~2.3.~~ **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the ~~Franchise Agreement, franchise agreement~~ even ~~if~~though your spouse has no ownership interest in the franchise. This ~~Guarantee~~guarantee will place both ~~your~~you and your ~~spouse's~~spouse's marital and personal assets ~~(, perhaps including your house),~~ at risk if your franchise fails.
3. ~~**Mandatory Minimum Payments.** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.~~
4. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that 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 franchised business.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21~~),~~) calls into question the franchisor's financial ability to provide services and support to you.
~~5.~~
6. **Unopened Franchises.** The franchisor has signed a number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.

~~THE FOLLOWING PROVISIONS APPLY ONLY TO
TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW NOTICE~~

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

~~The state~~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) A prohibition ~~on the right of a franchisee to join~~against you joining an association of franchisees.

(b) (b) A requirement that ~~a franchisee~~you assent to a release, assignment, novation, waiver, or estoppel which ~~deprives a franchisee~~would deprive you of rights and protections provided ~~in this act~~under the Michigan Franchise Investment Law. This ~~will~~does not preclude ~~a franchisee~~you, after entering into a franchise agreement, from settling any and all claims.

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

(d) A provision that permits ~~the~~the franchisor to refuse to renew ~~a your~~your franchise without fairly compensating ~~the franchisee~~you by repurchase or other means for the fair market value at the time of expiration, of ~~the franchisee's~~your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This ~~subsection~~provision applies only if:

(i) The term of the franchise is less than ~~5~~five years; and

(ii) ~~the franchisee is~~You are prohibited by the ~~franchise~~Franchise Agreement 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 if you do~~not receive at least ~~6~~six months advance notice of ~~franchisor's~~the franchisor's intent not to renew the franchise.

(e) (e) A provision that permits the franchisor to refuse to renew ~~a the~~the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This ~~section~~provision does not require a renewal provision in the Franchise Agreement or other agreement.

(f) (f) A provision requiring that arbitration or litigation be conducted outside ~~this state of~~Michigan. This ~~will~~does not preclude ~~the franchisee~~you from entering into an agreement, at the time of ~~the~~the arbitration, to conduct arbitration at a location outside ~~this state of~~Michigan.

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

~~(i)~~ (i) _____ The failure of the proposed transferee to meet the franchisor's then-~~current~~ ~~reasonable~~ reasonably qualifications or standards.

~~(ii)~~ (ii) _____ The fact that the proposed transferee is a competitor of the franchisor ~~or~~ ~~subfranchisor.~~

~~(iii)~~ (iii) _____ The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

~~(iv)~~ (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~~ Franchise Agreement existing at the time of the proposed transfer.

~~(h)~~ (h) _____ A provision that requires ~~the franchisee you~~ 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 the~~ 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 it~~ 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 you have~~ breached the lawful provisions of the ~~franchise agreement~~ Franchise Agreement and ~~has have~~ failed to cure the breach in the manner provided in ~~subdivision (c)-, above.~~

~~(i)~~ (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 you~~ unless provision has been made for providing the required contractual services.

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

~~If the franchisee has any~~ Any questions ~~regarding concerning~~ this notice, ~~those questions~~ should be directed to the Michigan Department of Attorney General, Consumer Protection Division, ~~Attn: Franchise~~ Unit, 525 ~~West W.~~ Ottawa Street, G. Mennen Williams Building, 1st Floor, Lansing, Michigan 48909, ~~telephone: 48913,~~ (517) 373-7117.

FRENCHIES, LLC
FRANCHISE DISCLOSURE DOCUMENT

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— EXHIBIT A: — LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

— EXHIBIT B: —

- Exhibit A – State Specific Appendix
- Exhibit B – Franchise Agreement and all Attachments
- Exhibit C – Development Agreement
- Exhibit D – General Release (Sample Form Only)
- Exhibit E – Table of Contents of Confidential Operations Manual
- Exhibit F – Financial Statements
- Exhibit G – List of Current and Former Franchisees
- Exhibit H – List of State Administrators and Agents for Service of Process
- Exhibit I – State Effective Dates
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~~FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS~~

~~EXHIBIT C: AREA **DEVELOPMENT AGREEMENT**, GUARANTY, AND STATE-SPECIFIC ADDENDA~~

~~EXHIBIT D: **TABLE OF CONTENTS** OF OPERATIONS MANUAL~~

~~EXHIBIT E: LIST OF FRANCHISEES~~

~~EXHIBIT F: FINANCIAL STATEMENTS OF FRENCHIES, LLC~~

~~EXHIBIT G: STATE-SPECIFIC ADDENDA TO **FRANCHISE DISCLOSURE DOCUMENT**~~

~~EXHIBIT H: FRANCHISEE QUESTIONNAIRE~~

~~EXHIBIT I: FINANCING DOCUMENTS~~

~~EXHIBIT J: STATE COVER PAGE AND **RECEIPTS**~~

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this ~~Franchise Disclosure Document~~, “~~Frenchies~~,” “~~Frenchies Nail Salons~~,” disclosure document, “we,” “us,” or “our” means ~~FRENCHIES~~FRENCHIES, LLC, the “~~Franchisor~~,” franchisor. “You” or “your” means the ~~person, corporation, partnership, or other business entity that buys, person or persons who sign the franchise~~Franchise Agreement, the “~~Franchisee~~,” franchisee. If you are the franchisee is a corporation, partnership, limited liability company, or other entity, “you” includes the Franchisee’s owners. the term “you” does not include the entity’s principals unless otherwise stated.

The Franchisor, and Any Parents, Predecessors and Affiliates

We are a Colorado limited liability company formed on March 11, 2015, and only do business under our corporate name. Our principal business address is 550 Reserve Street, Suite 380, Southlake, Texas 76092, and our phone number is 720.526.2935. ~~We do business under our corporate name, as “FRENCHIES,” as “FRENCHIES MODERN NAIL CARE,” and as “FRENCHIES NAIL SALONS,” and under no other names. Our affiliate began operating its FRENCHIES Nail Studio in February 2014 and we began.~~ We have been offering franchises for the operation of Nail Studios of the type described in this Disclosure Document since April 7, 2015. We have never conducted a business of the type to be operated by the franchisee. We have not and do not conduct business offered franchises or licenses in any other line of business nor.

We do not have we or do we offer franchises in any other line of business. predecessors.

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

~~The Business~~

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

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

~~We will grant you the right to operate one Nail Studio at a location we specify in your Franchise Agreement.~~

~~We also offer qualified people the right to develop multiple Nail Studios within a specific territory under the terms of an Area Development Agreement. The minimum number of Nail Studios to be required to be open under the Area Development Agreement is two. The Area Development Agreement is attached as Exhibit C. If you sign an Area Development Agreement, you will sign a separate then-current form of the Franchise Agreement for each Nail Studio you develop under your Area Development Agreement, which may differ from the current Franchise Agreement attached to this Disclosure Document.~~

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

~~Our Parent, Predecessors, and Affiliates~~

Our parent, BCC Services Intermediate Holding Company d/b/a Head to Toe Brands, is a Delaware corporation, and its principal business address is 550 Reserve Street, Suite 380, Southlake, Texas 76092. Our parent only does business under its corporate name. It does not offer franchises in any line of business and is not otherwise engaged in any other type of business activity.

Our parent's parent company is BCC Services Holding Company, a Delaware corporation, and its principal business address is 550 Reserve Street, Suite 380, Southlake, Texas 76092. Our parent only does business under its corporate name. It does not offer franchises in any line of business and is not otherwise engaged in any other type of business activity.

BCC Services Holding Company is directly or indirectly controlled by Riverside Micro-Cap Fund VI, L.P. and Riverside Micro-Cap Fund VI-A, L.P. which are managed by The Riverside Company, a global private equity fund focused on investing in and acquiring growing businesses and it maintains its principal business address at 45 Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, NY 10111.

~~We have four affiliates.~~ Frenchies Revolution, LLC, (“Frenchies Revolution”) is a Colorado limited liability company that was formed on March 7, 2013 (~~“Frenchies Revolution”~~). ~~Frenchies Revolution has, with~~ a principal business address ~~of~~ at 550 Reserve Street, Suite 380, Southlake, Texas 76092. Frenchies Revolution owns and operates an existing FRENCHIES Nail Studio, which it opened on February 14, 2014. Frenchies Revolution has never offered franchises for this business and, other than the Nail Studio described in this paragraph, does not operate its own studios.

~~Our affiliate **Burst Distribution LLC** is a Colorado limited liability company that was formed on October 13, 2020 (“**Burst Distribution**”). Burst Distribution's principal business address is the same as ours. Burst Distribution sells certain branded and proprietary items for use in your Nail Studio, including proprietary labeled back bar items, nail polishes, retail and other items that we adopt for use in the System.~~

~~**BCC Franchising, LLC** is a Delaware limited liability company that was formed on March 3, 2022 (“**Bishops**”). Bishops has a principal address of 550 Reserve Street, Suite 380, Southlake, Texas 76092. Bishops franchises retail hair care outlets that operate under the BISHOPS mark. Bishops and/or its predecessor have been offering franchises since March 2007. As of December 31, 2023, there were 42 franchised BISHOPS outlets in operation.~~

We are affiliated with The Lash Franchise Holdings, LLC ~~is a Delaware limited liability company formed on October 26, 2018. It (“Lash”)~~ and its predecessor has offered franchises under the mark “Lash Lounge” since March 2010. Lash's principal business address is 550 Reserve Street, Suite 380, Southlake, Texas 76092. A Lash Lounge franchise offers permanent and temporary eyelash and eyebrow extensions and other eye enhancing services. As of December 31, 2023/2024, Lash had 427/140 Lash Lounge franchises in the

United States.

~~We do not have any predecessors. Other than as described above, none of our affiliates has ever offered any nail studio franchises or franchises in any other line of business, nor have they operated any Nail Studios. We are also affiliated with BCC Franchising, LLC (“Bishops”). Bishops and/or its predecessor has offered franchises since March 2007. Bishops’ principal business address is 550 Reserve Street, Suite 380, Southlake, Texas 76092. A Bishops franchise offers hair care services. As of December 31, 2024, Bishops had 40 franchisees operating in the United States.~~

Through various private equity funds managed by The Riverside Company the following portfolio companies of The Riverside Company offer franchises in the United States:

Evive Brands

Executive Home Care Franchising, LLC (“Executive Care”) has offered franchises under the mark “Executive Home Care” since June 2013. Executive Home Care’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. An Executive Home Care franchise offers in-home comprehensive care and medical services to home care clients, and supplemental healthcare staffing services to institutional clients. As of December 31, ~~2023~~2024, Executive Care had ~~21~~22 franchises operating in the United States.

B & P Burke, LLC (“B&P”) has offered franchises under the mark “Grasons” since May 2014. B&P’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. A Grasons franchise offers estate sale and business liquidation services. As of December 31, ~~2023~~2024, B&P had ~~34~~61 franchises operating in the United States.

ALL Franchising, LLC (“ALL”) and its predecessors have offered franchises under the mark “Assisted Living Locators” since May 2006. ALL’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. An Assisted Living Locators franchise assist seniors and their families in locating assisted living facilities, memory care communities, nursing homes, senior care homes and independent living senior communities. As of December 31, ~~2023~~2024, ALL had ~~134~~162 franchises operating in the United States.

Brothers Parsons Franchising LLC (“Brothers”) and its predecessor have offered franchises under the mark “The Brothers that just do Gutters” since July 2015. Brothers’ principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 8525. A “The Brothers that just do Gutters” franchise provides gutter installation, maintenance, cleaning, repair, and related services and products. As of December 31, ~~2023~~2024, Brothers had ~~93~~355 franchises operating in the United States.

Best Life Brands

Blue Moon Franchise Systems, LLC (“Blue Moon”) has offered franchises under the mark “Blue Moon Estate Sales” since August 2013. Blue Moon’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A Blue Moon franchise sells personal property as well as the provision of consignment sales for those who are downsizing, relocating, or are deceased. As of December 31, ~~2024~~2023, Blue Moon had ~~409~~124 franchises in operation in the United States.

Boost Franchise Systems, LLC (“Boost”) has offered franchises under the mark “Boost Home

Healthcare: since July 2021. Boost’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A Boost franchise offers intermittent care ordered by a doctor and performed by a home health aide and other licensed healthcare providers to patients of all ages with acute and chronic long term complex health conditions within the patient’s residence or within health care facilities. As of December 31, ~~2024~~2023, Boost had 6 franchises in operation in the United States.

ComForCare Franchise Systems, LLC (“ComForCare”) and its predecessor has offered franchise under the mark “ComForCare Home Care” since April 2021. ComForCare’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A ComForCare Home Healthcare franchise offers (i) companionship and personal/domestic care services, and other special needs services, primarily on a non-medical basis, for seniors and people of all ages so that they may remain in their residences, (ii) supplemental healthcare staffing services for persons who need this kind of assistance in their home or a facility in which they reside, and (iii) private duty nursing services. As of December 31, ~~2024~~2023, ComForCare had ~~239~~248 franchises operating in the United States.

CarePatrol Franchise Systems, LLC (“CarePatrol”) and its predecessor has offered franchises under the “CarePatrol” mark since April 2009. CarePatrol’s principal address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A CarePatrol franchise offers senior living placement, referral, and consulting services to families. As of December 31, ~~2024~~2023, CarePatrol had ~~172~~201 Care Patrol franchises operating in the United States.

Next Day Access, LLC (“Next Day”) has offered franchises under the “Next Day Access: mark since 2012. Next Day’s principal business address ~~is 3150 Stage Post~~is 900 Wilshire Drive, Suite 101, Bartlett, TN 38133~~102, Troy, MI 48084~~. A Next Day Access franchise offers ramps and other products and accessories that enhance the life of physically disabled or challenged persons. As of December 31, ~~2024~~2023, Next Day had ~~27~~50 franchises operating in the United States.

Threshold Brands

~~PHP Franchise, LLC (“PHP”) has offered plumbing service franchises under the mark “Plumbing Paramedics” and heating and air conditioning installation and service franchises operating under the mark “Heating + Air Paramedics” since November 2021. PHP’s principal business address is 750 E. 150th Street, Noblesville, IN 46060. As of December 31, 2023, PHP had 5 Plumbing Paramedics and 5 Heating + Air Paramedics franchises operating in the United States.~~

~~Maid Pro Franchise, LLC- (“MaidPro”) has offered franchises under the “Maid Pro” mark since February 1997. MaidPro’s principal business address is 77 North Washington Street, Boston, MA 02114. A Maid Pro franchise offers home cleaning services for residential and commercial customers. As of December 31, ~~2024~~2023, MaidPro had ~~238~~ franchises operating in the United States.~~

~~FlyFoe, LLC d/b/a Patio Patrol (“Patio Patrol”) has offered franchises since February 2018. Patio Patrol’s principal business address is 77 North Washington Street, Boston, MA 02114. A Patio Patrol franchise offers residential and commercial mosquito, wasp, fly, tick control and other general pest control services. As of December 31, ~~237~~2023, Patio Patrol had ~~7~~ franchises operating in the United States.~~

Men In Kilts US, LLC (“MIK”) has offered franchises under the mark “Men in Kilts” since March 2019. MIK’s principal place of business is 77 North Washington Street, Boston, MA 02114. A Men in Kilts franchise offers window cleaning, gutter cleaning, pressure washing, siding cleaning, snow removal and other related services. As of December 31, ~~2024~~2023, MIK had ~~20~~23 franchises operating in the United States.

Pestmaster Franchise Network, LLC ("Pestmaster") and its predecessor has offered franchises under the "Pestmaster" mark since June 2021. Pestmaster's principal business address is 9716 South Virginia Street, Suite E, Reno, NV 89511. A Pestmaster franchise offers structural and agricultural pest control and related services. As of December 31, ~~2024~~~~2023~~, Pestmaster had ~~5257~~ franchises operating in the United States.

USA Insulation Franchise, LLC ("USA Insulation") has offered franchises under the "USA Insulation" mark since March 2006. USA Insulation's principal business address is 17700 Saint Clair Avenue, Cleveland, OH 44110. A USA insulation franchise offers residential insulation services. As of December 31, ~~2024~~~~2023~~, USA Insulation had ~~400~~~~109~~ franchises operating in the United States.

Granite Garage Floors Franchising, LLC ("Granite") has offered franchises under the mark "Granite Garage Floors" since June 2013. Granite's principal business address is 110 Mansell Circle, Suite 375, Roswell, GA 30075, -A Granite Garage Floors franchise sells and installs residential garage floor coating systems. As of December 31, ~~2024~~~~2023~~, Granite had ~~4455~~ franchises operating in the United States.

Mold Medics Franchising LLC ("Mold Medics") has offered franchises under the "Mold Medics" mark since December 2020. Mold Medics' principal business address is 811 Washington Avenue, Carnegie, PA 15106. A Mold Medics franchise offers mold remediation, air duct cleaning, radon testing and mitigation services, and other services and products. As of December 31, ~~2023~~~~2024~~, Mold Medics had ~~46~~ franchise operating in the United States.

Sir Grout Franchising, LLC ("Sir Grout") has offered franchises under the "Sir Grout" mark since August 2007. Sir Grout's principal business address is 77 North Washington Street, Boston, MA 02114. A Sir Grout franchise offers grout and tile cleaning, sealing, caulking and restoration services and other services. As of December 31, ~~2023~~~~2024~~, Sir Grout had ~~6271~~ franchises operating in the United States.

Miracle Method LLC ("Miracle") and its predecessors have offered franchises under the "Miracle Method" mark since September 1996. Miracle's principal business address is 4310 Arrowswest Drive, Colorado Springs, CO 80907. A Miracle Method franchise offers refinishing and restoration of bathtubs, sinks, showers, tiles, countertops, and similar surfaces. As of December 31, ~~2023~~~~2024~~, Miracle Method had ~~494~~~~201~~ franchises and 2 master franchises operating in the United States.

PHP Franchise, LLC ("PHP") has offered plumbing service franchises under the mark "Plumbing Paramedics" and heating and air conditioning installation and service franchises operating under the mark "Heating + Air Paramedics" since November 2021. PHP's principal business address is 750 E. 150th Street, Noblesville, IN 46060. As of December 31, 2024, PHP had 15 Plumbing Paramedics and 14 Heating + Air Paramedics franchises operating in the United States.

EverSmith Brands

U.S. Lawns, Inc. ("U.S. Lawns") has offered franchises under the mark "U.S. Lawns" since August 1986. U.S. Lawns' principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A U.S. Lawn franchise offers outdoor commercial property and landscaping services. As of ~~its last fiscal year~~~~December 31, 2024~~, U.S. Lawns had ~~208~~~~210~~ franchises operating in the United States.

milliCare Franchising, LLC ("milliCare") and its predecessors have offered franchises since January 2011.

milliCare’s principal business address is ~~1515 Mockingbird Lane~~6700 Forum Drive, Suite 440, ~~Charlotte, NC 28209~~150, Orlando, FL 32821. A milliCare franchise offers cleaning and maintenance of floor coverings and interior finishes and related services under the mark “milliCare Floor & Textile Care.” As of December 31, ~~2023~~2024, milliCare had ~~5659~~ franchises operating in the United States.

Kitchen Guard Franchising, Inc. (“Kitchen Guard”) has offered franchises ~~s under the mark~~ since August 2023. Kitchen Guard’s principal business address is ~~1515 Mockingbird Lane~~6700 Forum Drive, Suite 440, ~~Charlotte, NC 28209~~150, Orlando, FL 32821. A Kitchen Guard franchise offers commercial kitchen exhaust system cleaning, inspection, maintenance, and restoration services. As of December 31, ~~2023, there were~~ ~~no~~2024, Kitchen Guard had 5 franchises operating in the United States.

Restoration Specialties Franchise Group, LLC (“Prism Specialties”) has offered franchises since April 2012 and in September 2021 the franchises have operated under the mark “Prism Specialties.” Prism Specialties’ principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A Prism Specialties franchise offers electronic, art, textile, and document recovery, repair, and restoration services. As of December 31, 2024, Prism Specialties had 93 franchisees operating in the United States.

The Seals Franchising, LLC (“The Seals”) has offered franchises since August 2019. The Seals’ principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A The Seals franchise offers the sale and installation of gaskets for refrigeration door units, freezer doors, oven doors, hardware and cutting board. As of December 31, 2024, The Seals had 4 franchises operating in the United States.

The Franchise Offered

We grant franchises for the operation of distinctive retail outlets (each, a “Studio”) featuring hand and foot care services and related products and services to customers under the trade name and trademark FRENCHIES® and other trademarks, service marks, logos and catch phrases (“Marks”).

Our proprietary business format and system (“System”) includes distinctive interior and exterior design, décor, color scheme, graphics, fixtures and furnishings, our proprietary products, operations, and customer service standards and procedures, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing a Studio, all of which we may change, improve, and further develop (collectively, our “Standards”).

A typical Studio is located in or adjacent to a commercial retail area and ranges between 1,200 to 1,800 square feet (the “Premises”). You will operate the Studio according to our standard franchise agreement (see Exhibit B) and our Standards, specifications, policies and procedures which will be communicated to you via our confidential operations manuals and other written directives (collectively, our “Manuals”).

In some instances, we may offer Studios cobranded with another of our affiliate franchise concepts in a single location to qualified franchisees under a separate form of Disclosure Document.

Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Studios within designated Site Selection Area(s) under our current form of development agreement attached to this Disclosure Document as Exhibit C (the “Development Agreement”). In the Development Agreement, we outline a schedule that sets forth the periods of time by which you must open and begin operating each Studio (the “Development Schedule”). Development Agreements are most often offered in markets which fall within the top 200 most populated metropolitan statistical areas (“MSA”) as established and defined by

the U.S. Office of Management and Budget and measured by population according to the U.S. Census Bureau (referred to in this Disclosure Document as the “Top 200 MSAs”).

You will have the right to find and secure locations from which to operate your Studio from within the Site Selection Areas, but—similar to the Site Selection Area assigned in connection with a single-unit Franchise Agreement—you will not receive any territorial exclusivity or real-estate selection priority within this area.

You will be required to sign a Franchise Agreement for your initial Studio at the same time you sign your Development Agreement, representing the first of your Site Selection Areas in the Development Schedule. You will sign our then-current form of franchise agreement for each subsequent Studio in accordance with the Development Schedule. Your Site Selection Areas will be determined at the initial signing of your Development Agreement.

Under the Development Agreement, you will pay us a one-time development fee that will be calculated based on the number of Studios we grant you the right to open (the “Development Fee”). You will not be required to pay any other initial franchise fee at the time you execute the franchise agreements for each Studio to be developed pursuant to your Development Agreement.

Market and Competition

You will sell manicure and pedicure services—and other related products and services—to the general public. The market for nail services and products is developed and competitive. As a result, you will compete for customers with other companies and organizations that offer nail products and services. Competitors may include individuals and small- to medium-sized companies, similar franchise systems, and large corporations. The services you will offer are generally not seasonal, although you may have higher sales at certain times of the year, such as around major holidays and popular times for taking vacations.

Industry-Specific Regulations

~~Your Nail Studio will be subject to national, state, A number of states and local jurisdictions have enacted laws, rules, regulations that and ordinances which may apply to all businesses the operation of your Studio, including the Americans With Disabilities Act, wage and hour laws, occupational health and safety, equal employment opportunity, taxes, hazardous material communication to employees, and business those which (1) establish licensing and certification requirements. In addition, you must comply with all zoning laws and regulations applicable to the Nail Studio. Because you will accept credit cards, you will also have to comply with any for businesses in general laws and regulations relating to, (2) establish general standards, specifications and requirements for the construction, design and maintenance of the acceptance of credit cards, including Payment Card Industry (“PCI”) Data Security Standard (“DSS”). Compliance with Studio location; (3) establish licensing and certification requirements for nail technicians, as further detailed below, (4) regulate matters affecting the PCI DSS is your responsibility.~~

health, safety and welfare of your customers, such as general health and sanitation requirements for nail studios; (5) set standards pertaining to employee health and safety; (6) set standards and requirements for fire safety and general emergency preparedness, and (7) regulate the proper use, storage and disposal of waste and other hazardous materials.

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

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

We recommend you consult with legal counsel or other professional advisors to help you investigate and understand these laws before you purchase a franchise. You are responsible for complying with all applicable laws and regulations. We have not researched any of these laws to determine their applicability to your Franchised Business.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer of our Parent: -Meg Roberts

Meg Roberts has served as the Chief Executive Officer of our parent, Head to Toe Brands, since March 2024. Meg has served as president of our affiliate Lash, and its predecessor, since July 2018.

Chief ~~Operations~~Operating Officer of our Parent: -Kristin Kidd

Kristin Kidd has served as the Chief Operations Officer of our parent, Head to Toe Brands, in Southlake, Texas since June 2024. Kristin served as Vice President of Operations for ~~The~~our affiliate Lash ~~Lounges~~ from December 2021 to June 2024. ~~She serves~~Previously, she served as Director of Operations for ~~The~~ Lash ~~Lounge~~ from April 2018 to December 2021.

Brand Leader~~;~~: Scot Cannon

~~-~~ Scot Cannon has ~~been~~served as our Brand Leader since August 2024. Previously, Scot served as our Vice President of Field Support since January 2018. Scot also has been the owner of Cannon Fitness LLC from April 2005 to the present, in the New Orleans, Louisiana area, and has been the owner of Wax Louisiana LLC since December 2013 to the present, in New Orleans, Louisiana. Scot serves in his present capacities in New Orleans, Louisiana.

Director of Training and Operations~~;~~: Kayla Bramlet

~~-~~ Kayla Bramlet has served as our Director of Training and Operations since August 2024. Kayla previously served as our Director of Training since January 2018. Kayla has also been a Frenchies franchise owner since 2018.

~~**Vice President of Marketing, Stacy Stout**~~

~~Stacy Stout has been our Vice President of Marketing since November 2018. Stacy also is the owner of BRANDiac Strategies, Inc., a branding and marketing company in Centennial, Colorado, and has been since July 2011. Stacy serves in her present capacities in Littleton, Colorado.~~

~~Vice President of Development: Zach Munroe~~

~~Zach Munroe has served as the Vice President of Development for our parent, Head to Toe Brands, in Southlake, Texas since June 2024. Zach served as Vice President of Growth for SVN International Corp in Boston, Massachusetts from October 2020 to June 2024. He served as Director of Franchise Development for Burn Boot Camp in Charlotte, North Carolina from January 2018 to July 2020.~~

~~Board Member, Tom Silk~~

~~Tom Silk has served as our Board Member since November 2023. Tom has also served as a board member of our affiliate, Bishops, since April 2023. In addition, Tom serves as a director and Chairman of Evive Brands, Eversmith Brands, and Threshold Brands as disclosed above. Tom has also served as Chairman for TES Solutions in Cleveland, Ohio since September 2022. Previously, Tom served as CEO for WorkStride in New York, New York from January 2013 to April 2022.~~

Board Member, Aakeem Andrada

Aakeem Andrada has served as our Board Member since November 2023. Aakeem has also served as a board member of our affiliate, Bishops, since April 2023. In addition, Aakeem has served as a board member of Performance Systems Integration, LLC in Portland, Oregon since July 2020. He has served as an Analyst, Associate and Senior Associate at the Riverside Company in Santa Monica, California since June 2018.

Board Member: Jordan LaJoie

Jordan LaJoie has served as our Board Member, and that of our parent since February 2025. Jordan has also served as President of Pinecrest Holdings, Inc., located in Portland, Maine, since July 2020. Prior to that time, Jordan was a Management Consultant for Accenture, located in Boston, Massachusetts, from July 2014 to July 2020.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Standard Franchises

Our initial franchise fee (“Initial Franchise Fee”) for a Nail Studio is \$49,500, payable when

When you sign your purchase the right to develop a single Studio, at the time you sign the Franchise Agreement. We may discount the, you will pay us an Initial Franchise Fee in the following situations:

- ~~1. We offer a reduced initial franchise fee to existing franchisees of ours that are open, operating, and in good standing (i.e., not subject to any uncured default notice). If you meet these conditions, we will reduce the Initial Franchise Fee to \$44,500.~~
- ~~2. We have a Veteran’s program that offers reduced franchise fees to current members of the United States Military and veterans who received an honorable discharge from a branch of the United States Military. \$50,000. If you qualify for this discount, we will reduce the the VetFran program sponsored by the International Franchise Association (“IFA”) or if your franchise entity is at least 51% woman or minority owned, the Initial Franchise Fee you pay for a single Studio will be reduced by \$5,000. The Initial Franchise Fee to \$44,500.~~
- ~~3. We offer a reduced franchise fee to franchisees wishing to pursue a multiple unit Area Development Agreement. The minimum number of Nail Studios required to be opened under an Area Development Agreement is two. If you meet the conditions necessary to pursue this, the Initial Franchise Fee for your first studio will be \$49,500. We will reduce the Initial Franchise Fee for additional units as follows: (i) \$39,500 for the second unit; and (ii) \$29,500 per unit for the third or more units.~~

~~In each case, these reductions only apply to Franchise Agreements you enter into with us during the time we offer the discount program. We have the right to modify or terminate any of these programs at any time. In all cases, the Initial Franchise Fee is due in full when you sign the Franchise Agreement, deemed fully earned by us once paid on your execution of the Franchise Agreement and is not refundable under any circumstances. The Initial Franchise Fee is non-refundable. In our last fiscal year, our Initial Franchise Fee was uniformly \$49,500, which was our then current Initial Franchise Fee. uniform for all franchisees purchasing a single franchise.~~

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

Area Development

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

If you choose to enter into an Area Development Agreement, you must pay a development fee (“**Development Fee**”) equal to the sum of each Initial Franchise Fee for each Nail Studio you agree to open upon signing our form of Area Development Agreement as set forth in paragraph 3 above.

You will not pay an additional Initial Franchise Fee for any of the Nail Studios we require you to develop under the Area Development Agreement. In all cases, reductions only apply to Area Development Agreements you enter into with us during the time we offer the discount programs. We have the right to modify or terminate any of these programs at any time. For any territories under your Area Development Agreement that are not developed within the time frame outlined in the Agreement, such territories will be released to the Franchisor and, under the Franchisor’s sole discretion, may be sold to other prospective buyers and the Franchisor may, in its sole discretion, offer you an alternative territory in lieu of terminating your Agreement. We did not collect any Development Fees in our last fiscal year.

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

Technology Fees

You will pay us a Technology Fee each month during the term of your Franchise Agreement, which includes your email, access to our studio operating software, access to our online franchisee information system, and our learning management system. This fee is currently \$439 per month. You will begin paying this fee on the 15th day of the month after you sign your lease for your Nail Studio, and each 15th day of the month thereafter. We estimate that the amount of this fee that you pay to us before opening will range from \$1,317 to \$1,756 depending on when you open your Nail Studio, assuming you open within our estimated timeframes. The Technology Fee is not refundable.

Opening Inventory of Certain Proprietary and Branded Items

You are required to purchase from our affiliate, Burst Distribution, certain branded and proprietary items for use in your Nail Studio, including proprietary labeled back bar items, nail polishes, retail and other items that we adopt for use in the System. The cost of the opening inventory of these items ranges from \$1,500 to \$2,000 (plus actual shipping costs), depending on the size of your Nail Studio.

ITEM 6

OTHER FEES

From time to time, we may offer incentive programs to prospective franchisees for a limited time basis. Occasionally, we may establish various franchise expansion programs, which are generally, but not exclusively, available only to existing franchise owners to provide incentives to franchisees to expand their existing franchise territories or service lines. These programs, which are established and maintained at our sole discretion, and uniformly offered to similarly situated prospects or franchisees, may include reduced or rebated fees or certain credits. Also, in some instances, we may offer cobranded locations with another of our affiliate franchise concepts in a single location to qualified franchisees under a separate form of Disclosure Document, which may contain different terms than the terms set forth in this offering.

Development Agreement

The right to develop multiple Studios are offered in markets which are located within the Top 200 MSAs. If we grant you the right to develop multiple Studios, at the time you execute the Development Agreement, you will pay us a one-time Development Fee. If you are acquiring the right to open two or more locations under our development agreement, instead of paying us the \$50,000 initial franchise fee you will pay to us a Development Fee in accordance with the chart below. If you qualify for the VetFran program sponsored by the IFA, your total Development Fee will be reduced by \$5,000.

TYPE OF FEE	AMOUNT (NOTE 1)	DUE DATE	REMARKS
Royalty Fee (Note 2)-Initial Franchise Fees		Greater of: (a) the Minimum Royalty Fee (\$100/week); or (b) 5.5% of Gross Revenues each week. Number of Franchised Units	
General Advertising and Marketing Fund Contributions \$45,000 per unit		2% of your Gross Revenues each week, which amount is subject to change upon our notice to you. two (2) franchised units	
Local Advertising	At least 1.5% of Gross Revenues	As incurred, in connection with the advertising programs that you choose.	This will be paid to third party service providers. We have the right to require that you provide us with proof that these funds were spent. See <u>Item 11</u>.
\$439 per month as of the date of this Disclosure Document; provided we may increase this fee to cover our then current costs, including for the license of your business operations software and other technology. \$40,000 per unit		You pay this fee to us, provided that we may direct you to pay all or a portion directly to any provider that licenses technology to you. We pay much of it to the studio management software provider that will license this software to you. The fee also covers certain email hosting, access to our online franchisee information system, learning management system, and other technology maintenance and upgrades. three (3) to five (5) franchised units	
Advertising Cooperative Fees	Not applicable until there is an advertising cooperative in place in your region. If applicable, may not exceed 1.5% of Gross Revenues and expenditures will be credited towards the local advertising requirement.	Same as Royalty Fee or as designated by your cooperative	These will be paid to third party service providers and/or your cooperative. Your payments will be determined by you and the other participants in the advertising cooperative, as set forth in the by-laws of that advertising cooperative or payment agreements of such cooperative. Currently there are no advertising cooperatives in place.

Annual Conference Fee (Note 5)	\$399 for each attendee based on early registration, which amount may be increased annually.	120 days before our Annual Conference	You only pay this fee once a year, for one studio, regardless of how many studios you open. Payment of this fee covers registration for one person attending our Annual Conference. The person holding a controlling interest in your studio must attend.
Renewal Fee	\$3,000, reduced to \$2,500 if we receive the fee and all your signed renewal documents at least 30 days before your franchise expires.	At least 15 days before the term of your Franchise Agreement expires.	You only pay this fee if you want to renew your franchise.

\$1030,000 or \$5,000. (Note 6) per unit	You only pay this fee if you sell (or otherwise transfer) your franchise or your interest in it. This fee is subject to applicable state law. <u>six (6) or more franchised units</u>
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Relocation Fee	\$1,000, plus our expenses.	When you submit a request to move your Nail Studio.	You only pay this fee if you want to relocate your studio. If we do not approve your request, we will refund the fee.
Audit	Cost of audit.	30 days after billing.	Payable only if audit shows an understatement of at least 2% of Gross Revenue for any month.
Charges for Inspections and "Mystery Customer" Quality Control Evaluation	Actual costs incurred.	Upon demand, if incurred.	See Note 7. Inspections and mystery shopping will be separate from our programs for customer surveys and customer satisfaction audits (which may require you to accept coupons from participating customers for discounted or complimentary items).
Additional Training and Assistance (Note 8)	\$500 per diem fee per trainer, which amount is subject to change, plus reimbursement of expenses.	Immediately after notice from us.	If you request that we provide additional training, or if we determine that additional training is required, you must pay our daily fee for each trainer, and you must reimburse each trainer's expenses for any necessary travel, including travel, lodging, meals and other reasonable expenses in accordance with our travel and expenses policy.

“Fundamentals” Training	\$25 to \$50 per participant, which amount is subject to change.	Immediately after notice from us.	We may from time to time offer optional in-person “fundamentals” or “back-to-the-basics” training sessions at locations we designate. You will also be responsible for the cost of your travel, lodging, and meals, if applicable.
Ongoing Purchases of Proprietary Products	The price established by the applicable approved supplier from time to time.	Before shipment.	All products you will use in your Nail Studio must meet our standards. This will be paid to us, our affiliates, or to other approved suppliers on the terms established from time to time by the applicable supplier.
Insurance Handling Fees	\$100, which amount is subject to change.	Immediately after notice from us.	You only pay this fee to us if you fail to obtain or maintain insurance, and we obtain the insurance coverage for you. This fee does not include the cost of insurance premiums, for which you must also reimburse us.
Indemnification	Actual losses and costs incurred.	If incurred.	You must reimburse us if we are held liable for claims arising from your Nail Studio. (Note 9).
Liquidated Damages	See Note 10.	Within five days of termination of your Franchise Agreement or Area Development Agreement for cause.	You must pay this fee if we terminate your Franchise Agreement or Area Development Agreement for cause.
Cost of Enforcement or Defense	All costs including actual accounting and reasonable attorneys’ fees incurred, will vary under the circumstances.	Immediately after notice from us.	You only pay this amount if we prevail in any legal action we bring against you or successfully defend any claim you bring against us.
Interest	Lesser of 1.5% per month or highest rate of interest allowed by applicable law.	As incurred.	Payable on all overdue amounts.
Late Report Fee	\$100 per violation.	As incurred.	Payable only if a required report or financial statement is not delivered when due.

Insufficient Funds Fee	\$100 per check that you submit to us that is returned for insufficient funds, and \$100 each time that we are unable to collect via EFT due to insufficient funds.	If incurred.	
Standard Default Fee	\$500 per uncured violation.	If incurred.	In addition to any rights and remedies we may have under the Franchise Agreement, if you breach certain provisions of your Franchise Agreement and fail to cure the default during the applicable cure period, you must pay us \$500 per cure period until the default is cured to offset our expenses incurred to address the default. This may not be enforceable under California law.
Prohibited Product, Service, Supplier or Advertising Fee	\$250 per day of use of unauthorized products, services, suppliers or advertising.	If incurred.	In addition to any rights and remedies we may have, if you use any unapproved or unauthorized product, service, or supplier, or any advertising that we have not approved you must pay this fee to us to offset the costs associated with your unauthorized use. Subject to applicable law.
Uniform Non-Compliance Fine	\$250 per day of occurrence.	If incurred.	In addition to any rights and remedies we may have, if you violate our Uniform Policy you must pay us this fine. Subject to applicable law.
Studio Refurbishment	Actual costs incurred.	As agreed.	We may require you to materially refurbish your Nail Studio to meet our then-current requirements for décor, layout, etc. We will not require you to refurbish the Nail Studio more frequently than every five years.
Product/Supplier Testing	\$250.	Due prior to our consideration of the request for approval.	If you desire to purchase unapproved products, equipment, supplies, or services (other than for proprietary items for which we have a designated vendor) from other than approved suppliers, you must pay this fee for us to evaluate and test the product or vendor.

Securities Offering	Our actual expenses.	Upon demand.	Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.
Tax Assessment	Our actual expenses.	Upon demand.	Payable only if there is a sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed against us with respect to any payments you make to us under the Franchise Agreement.

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

You will be required to enter into our then-current form of Franchise Agreement for each Studio you wish to open under your Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these Franchise Agreements. If you enter into a Development Agreement, you must typically execute our current form of Franchise Agreement for the first Studio we grant you the right to develop within your Site Selection Area concurrently with the Development Agreement (unless we agree otherwise in writing). For each subsequent Studio you open, you will sign the current Franchise Agreement, which may differ from the Franchise Agreement associated with your first Studio.

Your Development Fee will be deemed fully earned upon payment and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all franchisees.

Initial Training Fees

Prior to opening, you will pay to us a \$8,000 initial training fee for our two-stage initial training program. The initial training fee is due in a lump sum at the time of signing and is not refundable under any circumstances. The initial training fee is uniformly imposed for the first studio or studios that transfer ownership and includes both virtual training and a 2-day in-person training session, currently hosted in Dallas, TX and concluding with on-site Studio Training with a studio opener and Trainer at the time of studio opening. This Initial Training Fee is due only in connection with your first Studio and does not apply to the subsequent Studios opened under a Development Agreement. Currently, Initial Training for subsequent studios will be offered at the rates provided in Item 6 and includes the fees associated with the

return of a studio opener and trainer as required by the franchisor.

ITEM 6
OTHER FEES

Franchise Agreement

<u>TYPE OF FEE¹</u>	<u>AMOUNT</u>	<u>DUE DATE³</u>	<u>REMARKS</u>
<u>Royalty Fee</u>	<u>Greater of: (a) the Minimum Royalty Fee (\$100/week); or (b) 6% of Gross Revenues each week.</u>	<u>Weekly, currently the Monday of each week. Franchisor reserves the right to collect monthly with 30 days' notice</u>	<u>See Note 2 for the definition of Gross Revenue.</u>
<u>Marketing Fee</u>	<u>2% of your Gross Revenues each week, which amount is subject to change upon our notice to you.</u>	<u>Payable on Monday of each week for the prior week.</u>	<u>We reserve the right to increase this contribution to up to 3% of your Gross Revenues each week. (See Note 2 and Item 11).</u>
<u>Local Advertising</u>	<u>At least \$2,000 per month, beginning with the month prior to opening and continuing during the first 12 full months of operation. Afterwards, at least \$1,500 per month</u>	<u>Monthly local advertising requirement must be spent before the end of each month</u>	<u>You must spend the required minimum expenditure amount per month in your local market to promote the Studio. See Item 11.</u>
<u>MarTech Fee</u>	<u>Currently, \$0 per month per Studio</u>	<u>Not currently charged</u>	<u>The MarTech fee is considered a component of the Local Advertising requirement but is collected by the Home Office in conjunction with Marketing Fee. The MarTech fee is applied directly to digital utilities, hosting and all other initiatives for which central billing to the Home Office can provide a single to the franchisee. We reserve the right to initiate, increase or change this fee in direct relationship to expenses with 30 days' notice. To be paid in the same manner and time frame as the Marketing Fee. See Item 11.</u>

<u>TYPE OF FEE¹</u>	<u>AMOUNT</u>	<u>DUE DATE³</u>	<u>REMARKS</u>
<u>Cooperative Advertising</u>	<u>At least \$1,500 per month, when established</u>	<u>Same as Royalty Fee or as designated by your cooperative</u>	<u>If we require you to participate in an established cooperative advertising campaign for your market area, your \$1,500 minimum monthly cooperative contribution will satisfy your local advertising requirement once the Studio is open at least 12 full months. Currently there are no advertising cooperatives in place.</u>
<u>Additional Training and Assistance</u>	<u>\$300 per day for each individual (which may be an attendee or trainer), plus reimbursement of our travel, lodging and dining costs (if applicable).</u>	<u>Before assistance</u>	<u>This fee applies to all training onsite or offsite, including but not limited to advanced training, opening training, transfer/resale training, recertification.. The fee of \$300 per day, per attendee, is payable to us before we provide the applicable training. We may, at our option, send our personnel to your Studio to provide mandatory training if you have failed two consecutive quality inspections, are deemed non-compliant or have failed to attend or participate in mandatory training and/or meetings. You will be responsible for all training fees and associated travel costs if such training is required.</u>
<u>Continuing Education Requirements</u>	<u>Varies with circumstances</u>	<u>Upon demand</u>	<u>Each of your technicians must comply with any continuing education requirements we may now or in the future mandate, including any necessary recertification courses. For certain technicians, the state in which they are licensed or certified may also mandate certain continuing education requirements. Completion of those state-mandated requirements is not a substitute for our own requirement. In addition to our fee for continuing education training; you will be responsible for all related travel, lodging, and dining costs for your attendees and/or our staff who may travel to your Studio.</u>

<u>TYPE OF FEE¹</u>	<u>AMOUNT</u>	<u>DUE DATE³</u>	<u>REMARKS</u>
<u>Convention or Continuing Education Enrollment Fee</u>	<u>Currently, \$500 for each attendee based on early registration, which amount may be increased annually.</u>	<u>Before Convention</u>	<u>At least one representative is required to attend, no more than once per year, any designated convention, regional meeting or annual training meeting. For any required training you do not attend, you will pay the same registration fee as attendees – whether you attend or not. You are responsible for all costs of attending convention, including travel, lodging, meals and wages.</u>
<u>Technology Fee</u>	<u>\$150 per month as of the date of this Disclosure Document; provided we may increase this fee to cover our then-current costs, including for the license of your business operations software and other technology.</u>	<u>Payable monthly on the 15th day of each month, starting the month following the signing of your lease.</u>	<u>Technology Fees are for use of our online systems, intra-net, data sharing, business intelligence and more. We reserve the right to increase this fee. See Item 11.</u>
<u>Point of Sale (POS) and Text Messaging Systems</u>	<u>Currently, \$439 per month</u>	<u>As incurred</u>	<u>This fee is imposed by us but payable to a third party and is subject to change. This subscription includes technical support provided by the POS supplier.</u>
<u>Bookkeeping Software</u>	<u>The then-current fee as imposed by the third-party provider, which is currently between \$28 and \$40 per month</u>	<u>As incurred</u>	<u>This amount is payable to a third party and may vary based on changes to their pricing and packages that you choose. We reserve the right to charge this fee directly in the future.</u>

<u>TYPE OF FEE¹</u>	<u>AMOUNT</u>	<u>DUE DATE³</u>	<u>REMARKS</u>
<u>VOIP Phone system, Email, Microsoft Office 365, and Antivirus Software</u>	<u>The then-current fee as imposed by the third-party providers</u> <u>Currently, \$17 to \$25 per month per telephone and \$4 to \$6 per month per telephone line; \$17.50 to \$25 per month for Email and Office 365; and \$4 to \$6 per month for antivirus software</u>	<u>As incurred</u>	<u>These amounts are payable to third parties and may vary based on changes to their pricing and packages that you choose. We reserve the right to charge these amounts directly in the future.</u>
<u>Supplier Approval Fee</u>	<u>Our actual costs and expenses incurred in evaluating the proposed supplier, plus a Supplier Approval Fee amounting to \$500 per inspection</u>	<u>Upon demand</u>	<u>You may recommend suppliers to us at any time; however, you must reimburse our costs and expenses in evaluating the proposed supplier and pay our Supplier Approval Fee if you request us to inspect and evaluate a proposed supplier.</u>
<u>Transfer Fee⁴</u>	<u>\$5,000, plus our related attorneys' fees</u>	<u>Before transfer</u>	<u>We do not charge a fee if the transfer of the Studio is from an individual to a business entity for convenience of operation; however, you must reimburse us for our related costs and expenditures.</u> <u>See Note 4 for other circumstances where we charge a reduced Transfer Fee.</u> <u>See Item 17 for more information about restrictions and conditions of transfers.</u>
<u>Renewal Fee</u>	<u>\$3,000</u>	<u>When you sign the new franchise agreement</u>	<u>See Item 17 for more information regarding renewal</u>
<u>Extended Term Fee</u>	<u>\$1,000 per year added to remaining term assumed by transferee (not to exceed an initial term of 10 years)</u>	<u>When transferee signs their franchise agreement</u>	<u>Upon transfer, transferee must assume the remaining term on your franchise agreement and may, at their option, purchase additional years for the Extended Term Fee, not to exceed an initial term of 10 years.</u> <u>See Item 17 for more information regarding transfers.</u>

<u>TYPE OF FEE¹</u>	<u>AMOUNT</u>	<u>DUE DATE³</u>	<u>REMARKS</u>
<u>Development Site Selection Area Change Fee</u>	<u>\$3,000</u>	<u>Upon demand</u>	<u>We do not typically allow you to change the Site Selection Areas associated with your Development Agreement. However, if we approve your request to do so in our sole discretion, you will incur our change fee.</u>
<u>Audit</u>	<u>Amount disclosed in the audit, plus our costs to conduct the audit</u>	<u>Upon demand</u>	<u>If an audit discloses an underpayment of the Royalty Fee due to us of 2% more, you must pay us 1.5 times the amount in error plus our costs and expenses for the audit.</u>
<u>Late Charges</u>	<u>18% per year or the highest amount allowed by law, whichever is less, calculated weekly.</u>	<u>Upon demand</u>	<u>Payable only if any sums due to us are not paid promptly when due.</u>
<u>Charge for Nonpayment Due to “Insufficient Funds”</u>	<u>\$50 (which we can increase annually by an amount not to exceed 10% of our previously published fee) plus reimbursement of our costs and expenses from your non-payment.</u>	<u>Upon demand</u>	<u>Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise.</u>
<u>Administrative Default Fee</u>	<u>\$500 per uncured violation</u>	<u>Upon demand</u>	<u>We may charge this fee if you breach any of the terms, conditions, or policies outlined in the Franchise Agreement or the operations manual, otherwise fail to comply with our standards and specifications, or use unauthorized products, equipment, or vendors. We will address such matters through compliance reports prepared for non-compliant franchisees with a reasonable cure period.</u>
<u>Private or Public Offer of Securities</u>	<u>Our costs and expenses associated with reviewing the proposed offer</u>	<u>Before the offering</u>	<u>No offering shall imply in any manner whatsoever that we are participating in an underwriting, issuance, or offering of your securities.</u>

<u>TYPE OF FEE¹</u>	<u>AMOUNT</u>	<u>DUE DATE³</u>	<u>REMARKS</u>
<u>Costs and Attorneys' Fees</u>	<u>Actual fees incurred</u>	<u>Payable as incurred</u>	<u>You must reimburse us for our expenses in enforcing or terminating the Agreements.</u>
<u>Indemnification</u>	<u>Amount of loss suffered</u>	<u>Upon demand</u>	<u>You must reimburse and pay our attorneys' fees and related costs if we are held liable for claims from your operation of the Studio.</u>
<u>Liquidated Damages</u>	<u>Equivalent of 36 months of royalty fees and advertising fees</u>	<u>Upon termination</u>	<u>If the Franchise Agreement is terminated by us due to your default, you must pay us liquidated damages. The amount of liquidated damages will be the average monthly Royalty Fee and Marketing Fee payable by you over the 12-month period immediately preceding the date of termination, multiplied by the lesser of 36 months or the number of months remaining in term of the Franchise Agreement.</u>

Notes:

- ~~(1) If your state or any governmental body in your state charges a tax on any fee you owe to us, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or Colorado income taxes we have to pay.~~
- ~~(2) The Minimum Royalty will not begin until the earlier of: upon the opening of your Nail Studio; or the date that is 12 months from the date you signed your Franchise Agreement.~~

Note 1. All fees are payable to us and are uniformly imposed and non-refundable. Unless otherwise noted, all fees are payable to us.

Note 2. "Gross Revenues/Revenue" is defined as the total amount of revenues you receive from all business activities and all other income of every kind and nature related to, derived from, or originating from the Nail Studio, plus the fair market value of products delivered and services rendered to you in consideration for products and services provided in, from, or in conjunction with your Nail Studio. Gross Revenues excludes bona fide refunds, credits for returns, and amounts collected and paid for sales taxes.

~~(3) Note 3. If Monday is a banking holiday, the payment will be due on Tuesday.~~

- ~~(4) This fee is paid for support of your studio management software and its updates. The Technology Fee also supports email hosting, access to our online franchisee information system, our learning management system, other System-wide technology maintenance, improvements, and upgrades, and such other technology or software as we may establish from time to time. This fee does not include support for any other third party software, such as malicious software protection. We may either require you to pay this fee directly to~~

~~us, or pay it directly to any provider of that software, and sign a license agreement directly with that provider for the provision of the software. We may increase this fee during the term upon notice to you to cover additional costs for the license and support of required software, digital applications and successor technology and replacements thereto.~~

- ~~(5) A person owning more than a 10% interest in your Nail Studio and signing or guaranteeing the Franchise Agreement, who we will refer to throughout this Disclosure Document as a “Principal Owner,” is required to attend our Annual Conference each year. This fee will cover the cost of that registration. The Principal Owner must register for the Annual Conference at least 120 days before it begins, or you will forfeit this fee. If a Principal Owner cannot attend the Annual Conference, we will consider, at our discretion, allowing you to transfer the registration to your Principal Operator, but not to any other person. If you want to send additional people to the Annual Conference, you will pay an additional registration fee for each one.~~
- ~~(6) If you transfer the franchise before you open the Nail Studio, the fee will be \$10,000. If you transfer the franchise after you open, the transfer fee is \$5,000.~~
- ~~(7) We may ourselves, or through an independent service, conduct a “mystery customer” quality control and evaluation program. You must participate in this program, and we may require that you pay us our then-current costs for the provision of this program, or the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).~~
- ~~(8) If you require or request additional assistance beyond what we provide, you can request that we send or make available a representative to provide further assistance to you. If we agree to provide this additional assistance, we must agree in advance to the charges you will pay and the length of the visit, if applicable. We may also require you to receive additional assistance if you are not meeting our requirements, if we determine, in our sole discretion, additional preopening or post-opening assistance is required, or if we determine that it is necessary for us to provide additional assistance to you to keep the System competitive. Our current rate for additional assistance is \$500 per day, per representative, plus the cost of travel, lodging, and meals, but we reserve the right to adjust that rate periodically in our Operations Manual.~~
- ~~(9) You and your principals agree to indemnify, defend and hold us, our affiliates and their respective shareholders, owners, directors, officers, employees, agents, successors, and assignees (“Indemnitees”) harmless against and to reimburse them for all claims, obligations, liabilities, and damages (“Claims”), including any and all taxes, directly or indirectly arising out of, in whole or in part: (a) the operation of your Nail Studio, including the use, condition, construction and build-out, equipping, decorating, maintenance, or operation of the Nail Studio premises, the sale of any products and services, and your advertising; (b) the use of the Marks and other proprietary material; (c) any Franchise Agreement and/or any Area Development Agreement, or the operation of your Nail Studio(s) in any manner inconsistent with those agreements or any other agreement you sign with us; (d) the infringement, alleged infringement, or any other violation or alleged violation by you or any of your principals of any patent, mark, or copyright or other proprietary right owned or controlled by third parties; or (e) libel, slander, or any other form of defamation of us, the System, or any franchisee or developer operating under the System, by you or by any of your principals. For purposes of this indemnification, “Claims” will~~

~~mean and include all obligations, actual, consequential, punitive, and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through you to us. We will have the right to defend any such claim against it in such manner, as we deem appropriate or desirable in our sole discretion. Such an undertaking by us will, in no manner or form, diminish you and each of your principals' obligations to indemnify the Indemnitees and to hold them harmless. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Franchise Agreement.~~

~~(10) If we terminate your Franchise Agreement for cause, you must pay to us within five days after the effective date of termination liquidated damages equal to the lesser of (i) the sum of weekly Royalty Fees that would have been due through the expiration of the term of the Franchise Agreement, or (ii) the sum of weekly Royalty Fees that would have been due for a period of three years from the termination date; in each case calculated by taking the average weekly Royalty Fees you paid to us for the 12 month period prior to the termination date and amortizing it for such calculation period; provided that if your Nail Studio was not open for such entire 12 month period, utilizing the average weekly Royalty Fees paid to us by Nail Studios within the System for any period in which your Nail Studio was not open and operating. If we terminate your Area Development Agreement for cause, you must pay to us within five days after the effective date of termination, liquidated damages equal to \$10,000 for each Nail Studio you failed to develop under that Agreement.~~

Note 4. If you or your Owners are transferring part, but not all, of their respective interest in the franchisee, the Transfer Fee equals \$2,500. If such transfer, however, results in additional required training, you will be responsible for paying our then-current tuition for the training as well as travel, lodging, and dining expenses. A Transfer Fee of \$5,000, plus our related attorneys' fees, applies if you transfer all of your interest in the Franchise Agreement and all or substantially all of the assets of the Studio.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Single-Unit Franchise

TYPE OF EXPENDITURE (NOTE 4) EXPENDITURE¹	Low AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 2) Fee²	\$49,500 <u>\$50,000</u>	Lump sum	Upon signing the <u>When Franchise Agreement is signed</u>	Us
Travel and Living Expenses While Training	\$1,650 <u>\$218,210 - \$240,031</u>	As incurred <u>As arranged</u>	As incurred during training	Airlines, hotels, restaurants <u>Contractors</u>

TYPE OF EXPENDITURE (NOTE 4) EXPENDITURE¹	Low AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE	
(Note 3) Leasehold Improvements³			<u>As required</u>	<u>and third-party suppliers</u>	
Rent and Security Deposit (Note 4) Furniture, Fixtures, Décor, and Equipment⁴	\$8,000-\$67,132 - \$73,845	\$22,500—As arranged	Monthly—As required	Signing lease and thereafter—Approved Suppliers	
Leasehold Improvements (Note 5)	\$150,000	\$258,000	Before opening	Building contractor	
Studio Layout, Architect/Design Fees (Note 6), Engineer, Drawings, and Permits⁵	\$12,475-\$14,617 - \$16,079	\$13,475—As arranged	As specified in contract required	Architect—Approved suppliers, your architect and engineer	
Furniture and Fixtures (Note 7)—Real-Estate and Construction Management⁶	\$3,500-\$8,800 - \$9,680	\$82,000—Lump sum	As agreed incurred	Varied times—Approved suppliers and/or third-party suppliers	
Equipment (Note 8)	\$4,200	\$5,500	As agreed	Varied times	Vendors
Office Supplies (Note 9)	\$300	\$500	As agreed	Varied times	Vendors
Technology Professional Fees (Note 10)—(first year)	\$1,817-194 - \$1,313	\$2,256—As arranged	As incurred	Us—Your accountant, attorney, and other professionals	
Business Licenses, Permits, etc. (first year)	\$98 - \$108	As agencies require	As agencies require	Applicable agencies	
Initial Technology Expenses (Note 11)—Inventory and Supplies⁷	\$2,200-\$13,194 - \$14,833	\$4,800—As arranged	As incurred Lump Sum	Before opening—Approved suppliers	
Signage⁸	\$13,538 - \$14,892	As arranged	As incurred	Approved suppliers	
Point of Sale (“POS”) Register, Hardware, Software⁹	\$6,836 - \$7,520	As arranged	As incurred	Approved suppliers	
Signage—Exterior + Interior (Note 12)—Initial Training Fee (covers three individuals)	\$108,000	\$12,000—Lump sum	Before opening When Franchise Agreement is signed	As agreed—Us	
Initial Inventory (Note 13) Pre-opening training expenses (for up to three individuals)¹⁰	\$1,500 - \$8,500	\$10,500—As arranged	Before opening and as needed	At delivery—Third-party suppliers of transportation, food and lodging for you and your employees	
Telephone and Utility Deposits and Expenses	\$250 - \$500	As arranged	As incurred	Third party suppliers	

<u>Grand Pre-Opening</u>					
<u>Advertising (Note 14)</u>	<u>\$153,000 - \$6,000</u>	<u>As agreed</u>	<u>Varied times As</u>	<u>Third parties, Us</u>	<u>Approved suppliers</u>
<u>Marketing (30 days prior to opening)</u>					
<u>Marketing (first three months)</u>	<u>\$6,000 - \$12,000</u>	<u>As arranged</u>	<u>As incurred</u>		<u>Approved suppliers</u>
<u>Security Deposit and Lease Payment (first three months)¹¹</u>	<u>\$17,844 - \$19,628</u>	<u>As arranged</u>	<u>As incurred</u>		<u>Landlord</u>
<u>Insurance Deposits and Premiums (first three months)</u>	<u>\$1,400-513 - \$1,664</u>	<u>\$1,700 As agent requires</u>	<u>Before opening</u>		<u>Third parties Insurance carriers</u>
<u>Miscellaneous Expenses (Note 15)</u>	<u>\$2,500</u>	<u>\$3,000</u>	<u>As agreed</u>	<u>As incurred</u>	<u>Vendors</u>
<u>Additional Funds and Working Capital for First 3 Months (Note 16) - (first three months)¹²</u>	<u>\$28,500 \$20,400 - \$22,440</u>	<u>\$55,000 As arranged</u>	<u>As incurred</u>		<u>As incurred Various</u>
<u>Extension Fee (Note 17)</u>	<u>\$0 \$452,126 - \$507,033</u>	<u>\$500</u>	<u>As incurred</u>		<u>Only due if requesting an extension to your required opening date</u>
<u>Grand Total</u>					
<u>TOTAL (Note 18)</u>	<u>\$299,542</u>	<u>\$543,231</u>			

Multi-Unit Development (2-Pack or 3-Pack)

<u>TYPE OF EXPENDITURE</u>	<u>AMOUNT</u>	<u>METHOD OF PAYMENT</u>	<u>WHEN DUE</u>	<u>TO WHOM PAYMENT IS TO BE MADE</u>
<u>Development Fee</u>	<u>\$90,000 (2-Pack)</u> <u>\$120,000 (3-Pack)</u>	<u>Lump sum</u>	<u>Upon execution of Development Agreement</u>	<u>Us</u>
<u>Initial Investment to Open Initial/Single Studio</u>	<u>\$402,126 - \$457,033</u>	<u>Totals from Chart A of this Item 7 less the Initial Franchise Fee.</u>		
<u>Grand Total⁽¹⁴⁾</u>	<u>\$492,126 - \$547,033</u> <u>(2 Studios)</u> <u>\$522,126 - \$577,033</u>	<u>This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of two to three Studios, as well as the estimated initial costs to open and begin operating your initial</u>		

<u>TYPE OF EXPENDITURE</u>	<u>AMOUNT</u>	<u>METHOD OF PAYMENT</u>	<u>WHEN DUE</u>	<u>TO WHOM PAYMENT IS TO BE MADE</u>
	<u>(3 Studios)</u>	<u>Studio for the first three months (as described more fully in the “Single Unit Franchise” chart above).</u>		

Notes:

~~(+)~~1. _____ The high and low ranges in the table are based on an average ~~Nail~~ Studio. We recommend that studios have 16 nail care stations—including manicure and pedicure stations. These fees are non-refundable unless otherwise noted.

~~(2)~~1. _____ The Initial Franchise Fee is generally \$~~49,500~~50,000. However, we discount the fee in certain specific circumstances ~~including a reduced initial franchise fee of \$44,500 to existing franchisees of ours that are open and as detailed in good standing, and to certain members and former members of the United States Military. Certain discounts are tied to you signing an Area Development Agreement and committing to open two or more Nail Studios. In that case, if you meet the conditions necessary to pursue this, the Development Fee for your first studio will be \$49,500, plus amounts for additional units as follows: (i) \$39,500 for the second unit; and (ii) \$29,500 per unit for the third or more units.~~

~~(3)~~ _____ ~~The Principal Operator of your studio must attend mandatory training at one of our corporate regional training centers as designated by us, or at another place we designate. In addition, if your Principal Operator is not also a Principal Owner, a Principal Owner must also attend and complete this training to our satisfaction before you open your Nail Studio. While we do not charge for this training, you must pay for airfare, meals, transportation costs, lodging, and incidental expenses for all Initial Management Training Program attendees. The estimates are the estimated costs for two people to attend the Initial Management Training Program for two days.~~

~~(4)~~2. _____ ~~Our estimate for rent assumes you will lease space for your Nail Studio. Nail Studios are generally located in commercial retail areas. The typical size of a Nail Studio ranges between 1,200 to 1,800 square feet. Our estimates are based on a 1,500 square foot studio. Rent for these locations will be location specific but will typically vary from \$20 to \$35 per square foot per year, not including common area maintenance charges (“CAM”) or tax expenses. Your rent may be higher depending on a number of factors, including but not limited to, the community and location of your Nail Studio, the condition of building, visibility to traffic, and other factors. Generally, your landlord will require that you pay the first month’s rent, plus a security deposit, at the time you sign the lease. The low end of this estimates assumes you have negotiated with your landlord to occupy your space rent free for at least the first three months of operation. This arrangement may or may not be available to you. The high range includes three months of rent and a security deposit. Item 5.~~

~~(5)~~3. _____ Our estimate for initial expenses for improvements assumes you will lease space for your ~~Nail~~ Studio. ~~Nail~~ Studios are generally located in commercial retail areas. Your landlord may provide “tenant improvement” credits that you can use to offset some of the costs of the leasehold improvements.

You will need to employ a qualified licensed general contractor to construct the improvements to, or “build out,” the premises who is acceptable to us. The amount of your

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

~~(6)1. We will provide you with a prototype set of construction drawings of our standard layout for a Nail Studio. You will need to work with our designated vendor to develop a basic design and layout for your particular Nail Studio and provide that vendor with detailed as-built drawings and existing condition information to facilitate the design of the space for your location. You will then need to contract with licensed and qualified design professionals to create a complete set of detailed construction drawings for your location, including, but not limited to, architectural, mechanical, plumbing, and electrical. The low estimate assumes standard tenant improvements and excludes items such as structural construction, site surveys, site plans, energy studies, exterior improvements, or building elevations. The high estimate assumes that structural changes will need to be made to your location, and that you will need to hire an architect to prepare plans for your location and to create construction drawings that will be used by your local contractor to secure construction permits and to build your location.~~

(7) This estimate will vary depending on whether you obtain financing, the size of your studio and your needs for specific furnishings and equipment. This includes the furniture for your nail care stations and common areas, including manicure and pedicure stations, one handwash station, pedicure carts, your reception desk, chairs for technicians and customers, your retail display, storage for your nail dispensary and supplies, and some of your lighting. It also includes equipment for eight nail care stations, eight pedicure stations, laundry, and the employee break room. The low end assumes that you finance your purchase of these items, and assumes you are required to put down your first month's payment and a security deposit equal to a one-month payment. The high end assumes that you purchase these items outright.

~~(8)4.~~ This estimate includes certain equipment needed for the operation of your studio, including manicure curing and table lights, towel warmers, an autoclave, and appliances for your employee break room and nail dispensary.

5. We will provide you with a prototype set of construction drawings of our standard layout for a Studio. You will need to work with our designated vendor to develop a basic design and layout for your particular Studio and provide that vendor with detailed as-built drawings and existing condition information to facilitate the design of the space for your location. You will then need to contract with licensed and qualified design professionals to create a complete set of detailed construction drawings for your location, including, but not limited to, architectural, mechanical, plumbing, and electrical. The low estimate assumes standard tenant improvements and excludes items such as structural construction, site surveys, site plans, energy studies, exterior improvements, or building elevations. The high estimate assumes that structural changes will need to be made to your location, and that

you will need to hire an architect to prepare plans for your location and to create construction drawings that will be used by your local contractor to secure construction permits and to build your location.

6. You are required to use our approved suppliers for real estate, and you will be required to work with our onboarding coach to guide you through the bidding and construction of your studio. Owners may elect to hire project managers to assist with construction management, whose fees will vary.
- ~~(9) Before beginning operations, you must purchase an assortment of office equipment and supplies as described in the Operations Manual, including paper, pens, folders, and supply cabinets.~~
- ~~(10) You will begin paying the Technology Fee to us on the 15th day of the month after you sign your lease for your Nail Studio, and each 15th day of the month thereafter. We estimate that the amount of this fee that you pay to us before opening will range from \$1,317 to \$1,756 depending on when you open your Nail Studio, assuming you open within our estimated timeframes. This estimate also includes the \$500 technology set-up fee you pay upon the signing of your lease.~~
- ~~(11) The low end of this estimate assumes you lease our minimum technology requirements, which include a Point of Sale (POS) and reception system consisting of a computer, iPad, credit card reader, receipt printer, barcode scanner, cash drawer, a VoIP phone system, Broadband internet access, and related equipment. Additional required technology includes a sound system, a security system, a computer for management use, a computer for staff use, related equipment at your location. The high end of this estimates assumes you purchase and install the required technology at your location.~~
- ~~(12)1. This estimate assumes you purchase your interior and exterior signage. The total cost for the signage varies depending on the size of the signs, quantity, whether the signs are illuminated, and the requirements of the landlord and governing authority.~~
- ~~(13)7. Your initial inventory of nail care supplies and retail products will include disposable implements, gloves, linens, and other supplies and products as described in the Operations Manual. We have the right to change the inventory requirements at any time. This amount includes the purchase of certain items from our affiliate, Burst Distribution.~~
8. This estimate assumes you purchase your signage. The total cost for the signage varies depending on the size of the signs, quantity, whether the signs are illuminated, and the requirements of the landlord and governing authority.
- ~~(14) Before your Nail Studio opens, you will be expected to advertise its opening and create a Grand Opening and Ramp Up Plan that we approve. The Grand Opening and Ramp Up Plan may include digital media, print media, television advertising, radio advertising, billboards and other outdoor signage. You must provide us with a Grand Opening and Ramp Up Plan that we approve at least 30 days prior to the opening of your Nail Studio, which outlines your plan for the grand opening advertising of your Nail Studio. We may require you to work with one or more vendors that we designate to execute the Grand Opening and Ramp Up Plan. During the period of time beginning 30 days before until 90 days following the opening of the Nail Studio, you must spend a minimum of \$15,000 to~~

~~implement a grand opening advertising and promotional campaign. We, at our sole discretion, may require you to purchase certain digital media, print media, television, advertising, radio advertising, billboards, signage, plus graphic designs, layouts, and written copy for advertisements, from us or from other vendors that we designate. We may require you to provide proof that these funds were spent. If you fail to spend the minimum required amount on the Grand Opening and Ramp Up Plan, we have the right to collect from you the difference between what you should have spent for the Grand Opening and Ramp Up Plan and what you actually spent. The amounts you spend on the Grand Opening and Ramp Up Plan are in addition to the General Advertising and Marketing Fees that you must pay to us. The Grand Opening and Ramp Up Plan may include digital media, print media, television advertising, radio advertising, billboards, or other outdoor signage. In addition to costs associated with the Grand Opening and Ramp Up Plan, you must purchase certain marketing materials such as branded promotional products, printed materials, large format indoor or outdoor signage, and similar items, from us or a designated supplier.~~

~~(15) This amount includes utility costs, licensing fees, criminal background checks on all your initial employees, and professional expenses such as legal and accounting.~~

~~9. This amount includes estimated operating expenses you should expect to incur during the first This estimate accounts for our minimum technology requirements, including computer, phone, printer, music speakers, and the wireless installation, as well as three months of payments for the cloud-based POS System.~~

~~10. The Principal Operator of your studio must attend mandatory training at one of our corporate regional training centers as designated by us, or at another place we designate. In addition, if your Principal Operator is not also a Principal Owner, a Principal Owner must also attend and complete this training to our satisfaction before you open your Studio. While we do not charge for this training, you must pay for airfare, meals, transportation costs, lodging, and incidental expenses for all Initial Management Training Program attendees. The low end of this estimate assumes one individual will attend the 2-day Initial Management Training Program, and the high end assume three individuals will attend.~~

~~11. Our estimate for rent assumes you will lease space for your Studio. Studios are generally located in commercial retail areas. The typical size of a Studio ranges between 1,200 to 1,800 square feet. Our estimates are based on a 1,500 square foot studio. Rent for these locations will be location specific but will typically vary from \$20 to \$35 per square foot per year, not including common area maintenance charges (“CAM”) or tax expenses. Your rent may be higher depending on a number of factors, including but not limited to, the community and location of your operations, not including any revenue generated by your Nail Studio. These figures do not include any taxes or other permitting or licensing fees that you may pay. Studio, the condition of building, visibility to traffic, and other factors. Based on our historical data, security deposits are typically required in an amount equal to one month’s rent by the landlord.~~

~~(16) We have relied on our experience in opening our affiliate’s Nail Studio in the Denver, Colorado metropolitan area and our knowledge of our franchisees’ experience to compile these estimates.~~

~~(17) This amount is only due to us if you request an extension to your required opening date. If you do not request an extension, the amount will be \$0.~~

~~(18)12. We have relied on our experience in opening our affiliate's Nail Studio in the Denver, Colorado metropolitan area and our knowledge of our franchisees' experience to compile these estimates. Except as specifically stated, we do not offer financing for any part of the initial investment. This is only an estimate, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Your actual costs may vary considerably, depending on factors including: local economic conditions; the local market for the products you will offer and sell; the length of time it may take to obtain permits and then build out the space for your Studio; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and, your management and training experience, skill, and business acumen. Your credit history could impact the amount (and cost) of funds needed during the initial period. The availability and terms of financing will depend on factors like the availability of financing generally, your creditworthiness, your relationship with local banks, your experience in the nail care industry, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest, or debt service obligations. Neither we nor our affiliates offer to finance any portion of this initial investment.~~

13. This range represents the total estimated initial investment required to open the initial Studio you agree to open and operate under the Development Agreement and does not include any of the costs you will incur in opening any additional Studios you agree to develop under your Development Agreement. These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee you will not have additional expenses starting the business. All amounts are non-refundable unless otherwise noted.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

~~All equipment, furnishings, fixtures, signs, software, software support supplies, and products you purchase for use or sale in your Nail Studio must meet our then-current specifications and be approved by us. Those specifications may include minimum standards for delivery, performance, design, appearance, and quality. We will issue the specifications to you before you begin operating and will also issue the specifications to approved suppliers. We may include these specifications in the Operations Manual, or we may issue them separately. They will also be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. You must purchase all additional products and other items for use in your Nail Studio solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the manual or otherwise in writing. You may not purchase, offer or sell any products or services, or use at your Nail Studio any products or other items that we have not previously approved as meeting our standards and specifications. We do not provide you any material benefits (such as — among other things — renewal rights or the right to acquire additional franchises) based on your purchases from approved or designated suppliers.~~

~~You can expect that the items you purchase to meet our specifications will represent over 80% of the total purchases you will make to begin operations. Once you begin operating, we expect the items you purchase that meet our specifications will represent between 70% and 90% of your total expenses.~~

If you want to purchase items for your Nail Studio that we have not previously approved (except for certain proprietary items that are available from a mandatory vendor as described below), or items that differ from our specifications, you must notify us in writing. If we request, you must submit samples and other information we require for testing or to otherwise determine whether the product, material, or supply meets our specifications and quality standards. Our criteria for supplier approval is outlined below, and we may also impose a fee for our consideration. You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products and Services

You may only market, offer, sell and provide the Approved Products and Services at your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products and Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Studio Layout Design and Fixtures, Furniture, and Additional Materials, Supplies, and Products

You will engage our designated supplier for the layout design of your Studio. Currently, we require the use of a designated supplier for much of the Studio's furniture and fixtures. In general, we may designate suppliers from whom you will be required to purchase certain non-proprietary fixtures, furnishings, equipment, uniforms, supplies, marketing materials, forms, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Proprietary Products, which you may or must use or sell at or through the Studio. You may use, offer or sell only those non-proprietary products that we expressly authorize, and you may purchase them from (i) us or our affiliates, (ii) suppliers we designate, or (iii) suppliers you select that we approve in advance in writing.

Computer System and Software

You must purchase the POS computer hardware and software system from our approved suppliers. You may also be required to subscribe to certain services including accounting services, POS-related subscriptions, operating system and office software licenses See Item 11 for more information about computer hardware and software requirements. We reserve the right to formulate and modify our standards and specifications for operating a Studio. This includes requiring that you take all steps, including but not limited to those related to visibility and management of your Studio that are necessary to ensure that your business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see pcisecuritystandards.org), or such successor organization or standards that we may reasonably specify. Our standards and specifications are described in the Franchise Agreement, the Manuals, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the franchise, including standards and specifications

for Approved Services and Products, equipment, signs, furnishings, supplies, fixtures, inventory, computer systems (hardware, software, applications, data network and internet connection minimum bandwidth capacities), privacy policies, encryption requirements, data and IT security policies - including implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies by written notice to you or through changes in the Manuals. We may issue our standards or specifications for goods and services, and changes to those standards and specifications, in writing directly to you or our approved supplier. You may incur an increased cost to comply with these changes at your own expense.

Approved Suppliers

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

We have eight outside mandatory vendors.

- (1) You must purchase certain branded and proprietary items for use in your ~~Nail~~ Studio, including proprietarily labeled back bar items, nail polishes, retail and other items, from a vendor we designate, which may include us or our affiliate, ~~Burst Distribution.~~
- (2) You must obtain your studio management software from our mandatory vendor. The cost of this software is included in the Technology Fee you pay us.
- (3) You must purchase certain proprietary furniture and design elements required for your ~~Nail~~ Studio from our required vendor, including without limitation, your reception desk, manicure and pedicure stations, millwork, carts, polish displays, and certain other proprietary furniture and design elements for your ~~Nail~~ Studio.
- (4) You must purchase the chairs for your ~~Nail~~ Studio from our required vendor.
- (5) You must utilize our required vendor for creating your architectural construction documents, which include the design and layout for your ~~Nail~~ Studio under our requirements. These documents will be utilized by you to obtain construction bids from potential contractors.
- (6) One of our vendors currently has established an online purchasing portal for certain printed proprietary marketing and promotional items, and you must purchase from us or this vendor the required branded marketing materials we require for use in your ~~Nail~~ Studio.
- (7) In order to ensure integrity of reporting and financial information, you must utilize our required provider of bookkeeping and reporting services, ~~which is integrated to our designated studio management software.~~
- (8) You must use our required vendor for our learning management system. The fee for using this system is included in the Technology Fee.

In addition, we currently have ~~two~~ approved vendors to provide certain back-bar and retail products utilized and sold at your ~~Nail~~ Studio, including nail files, nail clippers, foot files, etc., and you must utilize our designated sources of nail polishes for use in your ~~Nail~~ Studio.

As further described above, we have the right to designate a single source or sources from whom you must purchase any required products and services, and we and/or our affiliates may be that single source or one or more of the sources. Except as described above, as of the issuance date of this Disclosure Document, neither we nor our affiliates are the only approved suppliers of any required products and services. We may add or delete such items which must be purchased from us or our affiliates at any time. It is anticipated that we and our affiliates will derive revenue from the purchase of such items.

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

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

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

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully in this Item. We may provide our standards and specifications for our Approved Products and Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

Supplier Approval

We will provide you with our Manual and various supplemental bulletins and notices that will contain the specifications, System standards, and restrictions on your purchase of products and services. Upon request, we will furnish you with an approved list of suppliers which we may update periodically.

If you desire to purchase products from a supplier other than our approved suppliers, you must submit a written request to us for approval of the proposed supplier, together with any evidence of conformity with our standards and specifications as we may reasonably require or will request the supplier itself to do so. We may inspect and evaluate the supplier's facilities and products before we approve or disapprove of your proposed supplier, and you must pay all of our reasonable costs and expenses incurred in doing so. You may not use a supplier before you receive our written approval. A supplier must demonstrate to our reasonable satisfaction that it can supply an item meeting our standards and specifications for the item, that it is in good financial standing in the business community and that its products and services are reliable. We will provide you with our specifications and standards and our criteria for approval of suppliers and will approve or disapprove a proposed supplier in 60 to 90 days. We will notify you if and when we no longer approve a previously approved supplier. A supplier must continually adhere to our standards and specifications to maintain its approval.

Except as stated in this disclosure document, you are not obligated to purchase from a particular approved supplier, but must use specific brands of equipment, and in some situations certain comparable brands of equipment may be acceptable, subject to our prior written approval.

Franchised Location and Lease

You are required to use our designated supplier for real-estate and site selection assistance. You must acquire a site for your Studio that meets our site selection criteria and that we approve. If you occupy the Studio according to a commercial lease, the lease must contain terms that we specify. (See Lease Addendum attached as Attachment F to the Franchise Agreement).

You must construct, equip, and improve the Studio in compliance with our current design standards and trade dress. You must purchase and install, at your expense, all millwork and customized fixtures, furnishings, equipment (including a point-of-sale cash register system), décor, and signs from our approved third-party suppliers.

If we grant you the right to open and operate multiple Studios under a Development Agreement, you may not enter into your Franchise Agreement for each subsequent Studio opened under your Development Schedule until you have received our approval in accordance with our System Standards.

Insurance

You must obtain and maintain insurance policies protecting you, and us as additional insured, on a primary non-contributory basis. The additional insured should be listed on the certificate as follows: Frenchies, LLC, and its officers, managers, members, partners, shareholders, regional directors, subsidiaries and affiliates, agents and employees; and it must be provided on an Additional Insured Grantor of Franchise Endorsement per form CG2029 (or an endorsement form with comparable wording acceptable to us), as well as third party coverage endorsement, and joint employer coverage endorsement. The policy must contain a waiver of all subrogation rights against us, our affiliates, and their successors and assigns, and must provide for 30 days' prior written notice to us of any material modifications, cancellations, or expirations. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Studio is located and must have an A.M. Best rating of "A" or higher.

Presently we require you to maintain the following minimum insurance coverages: (i) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence, and \$3,000,000 general aggregate; (ii) abuse and molestation coverage with limits of at least \$1,000,000 per occurrence and \$300,000 in the aggregate; (iii) all risks coverage for full repair and replacement value of all of the property, equipment, furniture, fixtures and supplies used in your Studio; and (iv) minimum insurance requirements as may be required by the landlord for the premises of your Studio.

At least 10 days before you are required to carry insurance, and after that at least 30 days before the expiration of any policy, you must deliver to us certificates of insurance evidencing the proper types and

minimum amounts of required coverage, and evidence of the additional insured and waiver requirements. If you fail to maintain the required insurance, we or our designee may obtain the insurance for you and charge and demand reimbursement of the premium costs and costs of acquiring the insurance. Each year we may unilaterally modify the insurance minimum coverage requirements which may include an increase to the minimum coverage requirements to reflect changes in inflation or as market conditions warrant.

We may periodically increase the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

Revenue Derived from Franchisee Purchases and Leases

In the future, we may derive revenue from your purchases or leases of goods, services, supplies, fixtures, equipment, inventory, and products from our mandatory, designated, or preferred suppliers. These rebates will generally range from 5% to 10% of the purchases you make from the vendor. There are also some vendors that may pay us fixed rebates on supplies and services. There are no caps or limitations on the maximum amount of rebates we may receive from our suppliers as the result of franchisee purchases. ~~As of our last fiscal year, which ended December 31, 2023: (a) we received \$49,615.42~~ 2024, Franchises derived \$135,691, or 3.810.60% of our total gross revenues-revenue of \$1,295,156280,093, as a result of required franchisee purchases of goods or services, and (b) our affiliate Burst Distribution received \$136,294.55 in revenue as a result of franchisee purchases of goods or services-leases.

Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 80% of your total costs incurred in establishing your Franchised Business, and approximately 70% to 90% of your ongoing costs to operate the Franchised Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

Description of Purchasing Cooperatives; Purchasing Arrangements

We may negotiate other purchase arrangements in the future with primary suppliers and distributors of approved products for the benefit of our franchisees and we reserve the right to receive rebates on volume discounts from our purchase of products that. If we may re-sell to you, negotiate a purchase agreement for the region where your Studio is located, you must participate in the purchasing program. Presently there are no purchasing or distribution cooperatives in existence for the franchise system.

We do not provide material benefits, such as renewing to you (for example, renewal or granting additional franchises to franchisees,) based on their your purchase of particular products or services or use of designated or approved particular suppliers and distributors.

Except as otherwise disclosed in this Item, none of our officers own an interest in any of our suppliers.

Other Required Purchases

Marketing and Advertisements

We have designated a vendor to maintain a marketing portal for our System, which includes our brand assets, marketing photos, and other marketing materials for print. There is no cost to you to access the portal. If you plan to use your own advertising materials for any marketing activity, you must obtain our prior approval, which may be granted or denied in our sole discretion.

~~We have designated a vendor to provide a social-digital content management platform. There is no direct cost to you to access this platform.~~

~~We have designated a vendor to provide social and digital content advertising services.~~

~~We may require you to utilize these services upon notice to you. You must obtain our approval before establishing, or having established, any websites, profiles, or accounts relating to us, your Nail Studio, or the FRENCHIES system.~~

~~*Technology, Computer Systems and Required Software.* We also require that you purchase, maintain and upgrade, as necessary, certain computer hardware, software and computer-related hardware, equipment, systems, services, and you must license or sub-license certain required software and digital applications from us or designated vendors. You must execute any software license agreements that we or the licensor of the software require and any related software maintenance agreements. We do not currently, but reserve the right to, require you to maintain support service contracts and/or maintenance service contracts from designated approved suppliers.~~

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

~~As noted above, we currently have a required third-party supplier to prepare all designs and plans for the Nail Studio, including architectural construction drawings. You must hire a qualified licensed general contractor to construct the Nail Studio.~~

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

~~Presently we require you to maintain the following minimum insurance coverages: (i) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence, and \$3,000,000 general aggregate; (ii) abuse and molestation coverage with limits of at least \$1,000,000 per occurrence and \$300,000 in the aggregate; (iii) all risks coverage for full repair and replacement value of all of the property, equipment, furniture, fixtures and supplies used in your Nail Center; and (iv) minimum insurance requirements as may be required by the landlord for the premises of your Nail Studio. (Franchise Agreement, Section 11.A).~~

ITEM 9

FRANCHISEE'S OBLIGATIONS

~~This table lists~~ **These tables list** your principal obligations under the franchise, **development**, and other agreements. ~~It~~ **They** will help you find more detailed information about your obligations in these agreements and in other items of this ~~Franchise Disclosure Document.~~ **disclosure document.**

OBLIGATION Obligation	SECTION IN FRANCHISE AGREEMENT Section(s) in Franchise Agreement and Development Agreement	SECTION IN DEVELOPMENT AGREEMENT Disclosure Document Item
a. Site selection and acquisition/lease	Franchise Agreement: Sections 3.B.31. and 3.B.43. and Section 1 Development Agreement: Attachment A	ITEM 7 Items 8 and 11
b. <u>Pre-opening purchases/leases</u>	Franchise Agreement: Sections 3.4., 6.F., 7.5., 6.6., and 9-10.1.	ITEM 6, 7, 8 and ITEM 8-11
c. <u>Site development and other pre-opening requirements</u>	Franchise Agreement: Sections 7, 8, 3.2., 3.4., and 9.1. Development Agreement: Section 1 and Attachment A	ITEM 7, 8 and ITEM 11
d. <u>Initial and ongoing training</u>	Section 8 Franchise Agreement: Sections 5.1., 5.3., 5.5., 5.6., 5.7., and 5.8.	ITEM 6 and 11
e. <u>Opening</u>	Franchise Agreement: Sections 3.A., 3.B.5. and Rider 5.2. and Section 5 Development Agreement: Attachment A	ITEM 7, ITEM 11, and ITEM 12 Item 11
f. <u>Fees</u>	Franchise Agreement: Sections 4.1.A, 2.B.4., 4., 2., 4.3., 4.4, 4.5, 7.C, 8.E., 4.10., 4.11, 9.E.7, 2., 9.F, 9.R, 9.S, 11.A, 13.B.9, 14.D, 16.G, 18.A, 18.B, 18.C.2, 20.A, 3., 12.3., and Rider 12.4. Development Agreement: Article 2	ITEM 5, 6, 8 and ITEM 6-11
g. <u>Compliance with standards and policies/operating manual Operating Manual</u>	Sections 1.A, 2, 3, 6, 7, 8.B, 8.H, and 9 Franchise Agreement: Article 8	ITEM 5, ITEM 8, ITEM 11, ITEM 14, and ITEM 16
h. <u>Trademarks and proprietary information</u>	Sections 1.D, 3, 6, 9, 10, 16, and Rider Franchise Agreement: Article 7	ITEM 11, 13 and ITEM 14
i. <u>Restrictions on products/services offered</u>	Franchise Agreement: Sections 9, 14.C, 6.4., 6.5., 6.6., 6.7., and 20.M-6.8.	ITEM 8, ITEM 11, and ITEM 16
j. <u>Warranty and customer service requirements</u>	Not applicable applicable	Not applicable applicable

<u>OBLIGATION-Obligation</u>	<u>SECTION IN FRANCHISE AGREEMENT-Section(s) in Franchise Agreement and Development Agreement</u>	<u>SECTION IN DEVELOPMENT AGREEMENT Disclosure Document Item</u>
k. <u>Territorial development and sales quotas</u>	<u>Franchise Agreement: Not Applicable</u> <u>Development Agreement: Article 1 and Attachment A</u>	ITEM <u>Item 12</u>
l. <u>Ongoing product/service purchases</u>	Section 9 <u>Franchise Agreement: Sections 6.5., 6.6. and 8.2.</u>	ITEM <u>Item 8</u>
m. <u>Maintenance, appearance, and remodeling requirements</u>	<u>Franchise Agreement: Sections 4.A, 2.B, 8.B, 9, 13.B, 6.7. and 16.F-6.10.</u>	ITEM 6 <u>Items 7, 8 and 11</u>
n. <u>Insurance</u>	<u>Franchise Agreement: Section 11.A-2.</u>	ITEM 6, ITEM 7, and ITEM 11 <u>Item 7; and ITEM 8</u>
o. <u>Advertising</u>	<u>Sections 3.D, 5.B, 6, and 9.B Franchise Agreement: Article 9</u>	ITEM 6, ITEM 7, ITEM 8, ITEM 11, ITEM 12, and ITEM 13 <u>11</u>
p. <u>Indemnification</u>	<u>Franchise Agreement: Section 11-.3.</u>	ITEM <u>Items 6 and 12</u>
q. <u>Owner's participation/management/staffing</u>	<u>Franchise Agreement: Sections 8.2., and 9.L-6.3.</u>	ITEM 6, ITEM 11, and ITEM 15 <u>Item 15</u>
r. <u>Records and reports</u>	<u>Franchise Agreement: Sections 10.4, 10.5, 9.E, 9.N, 12, and 14.B-10.6.</u>	Not Applicable <u>Item 6</u>
s. <u>Inspections and audits</u>	<u>Sections 7.C, 8.I, 9.H, and 12 Franchise Agreement: Section 10.7.</u>	ITEM 5, ITEM 6, and ITEM 11 <u>ITEM 5, ITEM 6, and ITEM 11</u>
t. <u>Transfer</u>	<u>Sections 9.X, 13, and 14.B Franchise Agreement: Article 12 Development Agreement: Article 8</u>	ITEM 6 and ITEM 17 <u>ITEM 6 and ITEM 17</u>
u. <u>Renewal</u>	<u>Franchise Agreement: Section 2.B-2.</u>	ITEM 6 and ITEM 17 <u>ITEM 6 and ITEM 17</u>
v. <u>Post-termination obligations</u>	<u>Sections 10, 16, 17.B, and 18.A Franchise Agreement: Article 14 Development Agreement: Articles 12 and 13</u>	ITEM 6 and 17 <u>ITEM 6 and 17</u>
w. <u>Non-competition covenants</u>	<u>Sections 16.I, 17, and 18 Franchise Agreement: Article 15</u>	ITEM 15 and ITEM 17 <u>ITEM 15 and ITEM 17</u>
x. <u>Dispute resolution</u>	<u>Sections 9.P and 18 Franchise Agreement: Article 19 Development Agreement: Articles 12, 13, and 15</u>	ITEM 17 <u>ITEM 17</u>

<u>OBLIGATION</u> Obligation	SECTION IN FRANCHISE AGREEMENT <u>Section(s) in Franchise Agreement and Development Agreement</u>	SECTION IN DEVELOPMENT AGREEMENT <u>Disclosure Document Item</u>
y. <u>Guaranty</u>	Personal Guaranty (Exhibit A of the Franchise Agreement); <u>Section 18.6.</u>	ITEM <u>Item 15</u>

Notes:

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

ITEM 10

FINANCING

We do not offer, directly or indirectly, any financing to you to help you establish your business, ~~except as set forth in this Item 10.~~ We do not guarantee your notes, leases, or other obligations. ~~We do have an arrangement with a third-party lender who provides financing to our franchisees, as follows:~~

~~Geneva Capital, LLC ("Geneva") offers financing of up to \$75,000 per studio, including furniture and fixtures, equipment, office equipment and supplies, and signage (but excluding your initial franchise fee and working capital), based on credit approvals. Financing is offered as a lease that requires a range of down payment from one (1) advance monthly payment to up to 20% of the lease amount, depending on your credit strength. Geneva also collects a security deposit equal to one month's lease payment. Lease terms vary from 36 to 60 months. Geneva offers both true tax and capital leases. Fixed equivalent interest rates typically vary from 7.99% to 11.99% per annum, based on your financial and credit worthiness. Geneva will not require you to pledge any other assets to secure the lease, but you must provide a personal guaranty. The amount of your lease payments will depend on the amount financed, the term of the lease, and the interest rate. Depending on the lease option you choose, you will have the right to purchase the equipment at the end of the lease at either fair market value, typically capped at 10% or 20% of the original equipment cost, or \$1, assuming you have not defaulted under the lease. The ability to prepay your obligations is negotiated on a case-by-case basis.~~

~~You will be in default under Geneva's lease documents if you fail to pay amounts owed when due or you breach any other provision of the lease documents. If you commit a payment default, you must pay a late charge of 15% of the payment which is late, or \$15, whichever is greater or, if less, the maximum charge allowed by law. Regardless of the type of default, Geneva may retain your security deposit, elect not to renew any or all timeout controls programmed within the equipment, terminate or accelerate the lease and require that you pay the remaining balance of the lease (discounted at 6% per annum), and any purchase option due, and/or return the equipment to Geneva. Geneva may recover interest on the unpaid balance at the rate of 8% per annum. It may also exercise any remedies available to it under the Minnesota Uniform Commercial Code or the law of its assignee's principal place of business. It may also file criminal charges against you and prosecute you to the fullest extent of the law if any information supplied by you on your~~

~~credit application or during the credit process is found to have been falsified or misrepresented. You must also pay Geneva's reasonable attorneys' fees and actual court costs. If it has to take possession of the equipment, you must pay the cost of repossession including damage to the equipment or real property as a result of repossession. (Lease Agreement — Section 11)~~

~~Under the personal guaranty, which is contained in Geneva's equipment lease agreement, you waive all notices.~~

~~If you default under the lease agreement, Geneva may obtain and use consumer credit reports to determine acceptable means of remedies, and you waive any right or claim you may otherwise have under the Fair Credit Reporting Act and under the Uniform Commercial Code Section 2A (Lease Agreement — Section 11). Because the lease is a non-cancelable net lease you are not entitled to any reduction of rent or any setoff for any reason, nor will the lease terminate or will your obligations be affected by any default in, damage to or loss or possession or use of any of the equipment (Lease Agreement — Section 2). You waive any and all rights or remedies not in the lease (Lease Agreement — Section 12) and you and your guarantors consent to personal jurisdiction in the state that Geneva or its assignee, as applicable, has its principal place of business and you and your guarantors waive trial by jury. If Geneva transfers the lease the transferee will not have to perform any of Geneva's obligations and the rights of the transferee will not be subject to any claims you have against Geneva (Equipment Lease Agreement — Section 10). We do not receive any consideration from Geneva as a result of its provision of financing to our franchisees. A copy of the current Geneva lease documents as of the date of this Disclosure Document is attached as **Exhibit I**.~~

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

~~Under the Franchise Agreement: Pre-opening Obligations.~~

Before you open ~~your Nail~~the Studio, ~~we will:~~ for business:

- ~~(1) — Designate your protected territory. (Franchise Agreement — Section 1.C/Rider)~~
- ~~(2) — Provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your business. (Franchise Agreement — Section 8.A)~~
1. Provide you access to our You will select and we will assign the Site Selection Area in which you may locate your Studio before you sign the Franchise Agreement, and we will approve or refuse to approve the specific Studio site within 30 days of receiving all requested information. (Franchise Agreement, Section 3.2.). If you have entered into a Development Agreement for the right to open multiple Studios, we will designate your Site Selection Area where you will have the right to locate and secure a Premises for each of your Studios. At no time will a franchisee be provided exclusive rights to any Site Selection Area outside the single Site Selection Area in which they are currently in development. (Development Agreement, Section 1)
2. We will admit three individuals to our initial training program, as described below. You will pay a fee for any additional attendees. (Franchise Agreement, Section 5.1.1)
3. We will also provide on-site training to you and to your technicians. This training will be provided on-site at your Studio, at our designated training facility or such other location we determine at our discretion. (Franchise Agreement, Section 5.1.2)

4. We will make available, on loan to you, one copy of our Manuals. (Franchise Agreement, Section 8.1.) The Table of Contents of our Confidential Operations Manual that is attached to this disclosure document as Exhibit E. Our Manual contains ~~mandatory and suggested~~ 60 pages.
5. We, or our affiliates, will provide such pre-opening consultation and advice as we deem appropriate, which may include advice with regard to the development and operation of the Studio, building layout, furnishings, fixtures, and equipment, plans and specifications, employee recruiting, selection, and training, purchasing and inventory control, marketing, and such other matters as we deem appropriate. We do not directly contribute to the hiring of employees. However, we provide assistance in the initial training for opening the Studio. We will provide minimum service and retail pricing for all services and products. We have designated pricing tiers that franchisees choose from based on their market dynamics, competitive assessment and market conditions. Although we assist with this choice, you will have the final determination on the pricing tier selection. We do not have any price maximums. (Franchise Agreement, Section 5.4.)

Continuing Obligations.

During the operation of the Studio:

1. We will provide such ongoing consultation and advice as we deem appropriate, which may include information about new services and product developments, instruction concerning the operation and management of the Studio, advertising and marketing advice, and certain financial advice. (Franchise Agreement, Section 5.5.)
2. We will communicate to you information about our approved and designated suppliers. (Franchise Agreement, Section 6.6.)

Advertising standards, and procedures. The Operations Manual

Our recommended local advertising program for the products and services offered by FRENCHIES® Studios currently consists of ~~one or more manuals, technical bulletins, or other written~~ digital and community-based advertising in certain targeted markets. Our advertising and marketing materials and may be modified by us periodically in our discretion. (Franchise Agreement — Sections 8.H and 9.O) The manual currently contains 53 pages. A copy of the table of contents of the manual is attached to this Disclosure Document as ~~Exhibit D~~. We are ~~not~~ currently developed both in-house and with the help of outside advertising agencies and consultants. You will have access to all of our marketing and advertising templates through our Intranet website. You are required to ~~provide assistance in establishing pricing, but we reserve the right to do so via the Operations Manual~~ use, feature and display only marketing materials, including brochure-ware, digital and all social assets, that are created by us. You are required to use only pre-approved suppliers for print and promotional purposes to maintain the design efficacy of the System. You are permitted to engage in organic social media and events, always following the System Standards and without seeking approval. We maintain the right to adjust permissions, as necessary.

Local Advertising

Beginning with the month prior to opening and continuing for the first 12 full months of operation, you must spend a minimum of \$2,000 per month during the first 12 full months of operation on approved marketing and promotional activities in your market area. Afterwards and for the remainder of the term of the Franchise Agreement, you must spend at least \$1,500 per month on approved marketing and promotional activities in your market area. You must report, in the format we require, as often as quarterly but no less than annually, your itemized local advertising expenditures to confirm the required expenditures

have been met. As a component of your Local Marketing Spend, you will pay the then-current monthly MarTech fee to the Home Office as described in ITEM 6.

(3) If you fail to meet the minimum spending requirement, we may, upon your receipt of our written notice (and on a going forward basis) deduct the required local advertising expenditure amount each month from your account which we will spend on your behalf to promote the Studio in your market area. We will continue this process until such time as we may determine, in our sole discretion, that you can reassume this obligation on your own behalf.

- ~~(4) Provide you with a prototype floor plan, as well as a list of the equipment, displays, fixtures, and furnishings for setting up or remodeling your studio. (Franchise Agreement – Section 8.B) We do not typically deliver or install the equipment or fixtures.~~
- ~~(5) Provide, at our expense, the Initial Management Training Program for you, or if you are a legal or business entity, your Principal Owner and one (1) additional person (including the Principal Operator) at a location we designate (Franchise Agreement – Section 8.C). You are expected to attend this training program at least 60 days before you open your Nail Studio. If you purchase an existing Nail Studio or convert an existing business to a Nail Studio, you are required to attend training within 30 days after you sign the Franchise Agreement. You will be responsible for all travel expenses for all participants attending the Initial Management Training Program, including airfare, lodging, meals, ground transportation, and personal expenses. (Franchise Agreement – Section 8.C)~~
- ~~(6) We will assist you in developing a grand opening advertising program; you will be responsible for the cost of this program. (Franchise Agreement, Section 6.F)~~
- ~~(7) We will provide you a list of our then current designated or approved suppliers. (Franchise Agreement – Section 8.G)~~

Under the Area Development Agreement: Before you open the Nail Studio:

- ~~(1) We will approve or deny your proposed site for each Nail Studio in accordance with our then-current criteria for approving a site. (Area Development Agreement, Section 3.B.3)~~
- ~~(2) We will provide you with then-current site selection guidelines, including our minimum standards for Frenchies studio sites, and other site selection counseling and assistance as we deem appropriate. (Area Development Agreement, Section 3.B.3)~~

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

Under the Franchise Agreement: During the term of the Franchise Agreement, we will:

- ~~(1) Make a representative reasonably available to speak with you on the telephone or through electronic means during normal business hours to discuss your operational issues and support needs. (Franchise Agreement – Section 8.J)~~
- ~~(2) We may conduct or arrange, as we deem advisable, periodic inspections or mystery shopping services, to shop your Nail Studio periodically during the term of your Franchise Agreement and provide the results to you. (Franchise Agreement – Section 8.I)~~

- ~~(3) Include location-specific information regarding your Nail Studio on any Internet website that we establish, in our discretion. (Franchise Agreement Section 6.D)~~
- ~~(4) Make available additional training that we feel is necessary to familiarize you and your management team on changes and updates in the franchise system. (Franchise Agreement Sections 8.F and 8.K)~~
- ~~(5) Maintain and administer the General Advertising and Marketing Fund. (Franchise Agreement Section 5.B)~~

~~The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Nail Studio. As the Area Development Agreement relates to the development of Nail Studios, the Area Development Agreement does not require us to provide any other assistance or services during the operation of the Nail Studio.~~

Training

Initial Management Training Program — Section 8.C of the Franchise Agreement

~~Between the time you sign the lease for your Nail Studio and the opening of your Nail Studio, we provide an approximately two week initial training program (“**Initial Management Training Program**”). The first week of the Initial Management Training Program will either be offered virtually or be conducted at a location we designate, in our discretion. Currently, approximately two days of the first week of training takes place in Southlake, Texas, and the remaining portion is presented virtually on non-consecutive days. The second week of the Initial Management Training Program may be offered virtually, or conducted at your Nail Studio, Southlake, Texas or such other location we designate. There is no charge to you and up to one additional person to attend this training, but you are responsible for all travel and living expenses that you and your employees incur in attending the training. The person you designate as your Principal Operator, and someone owning more than a 10% interest in your business (if not the Principal Operator), must attend and complete this training program to our satisfaction at least one week before opening.~~

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

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Introduction to FRENCHIES	3	0	Internet/Southlake, TX
Operations/Employee Experience	12.5	1	Internet/Southlake, TX
Performance Measurement/Scoreboards	4	0	In Studio/Internet/Southlake, TX
Information Technology/POS	8	8	In Studio/Internet/Southlake, TX
Financial/Accounting	2	0	Internet/Southlake, TX

Procurement (Vendors/Suppliers)	2	0	Internet/Southlake, TX
Sales/Marketing	6	0	Internet/Southlake, TX
Hands-On Operations Training	0	10-15	In Studio/Southlake, TX
Total Training Time	37.5	19-24	

~~The Initial Management Training Program is overseen by Kayla Bramlet. Kayla is a licensed manicurist and has been our Director of Training since January 2018. For the three years prior to that, Kayla worked and managed the Nail Studio in Littleton, Colorado operated by our affiliate, Frenchies Revolution. She also is a joint owner of a Nail Studio and has been since November 2018. The Initial Management Training Program may also be overseen by Scot Cannon, our Brand Leader since August 2024. Previously, Scot served as our Vice President of Field Support since January 2018. We currently hold our training programs on an as-needed basis. We may in the future modify our schedule.~~

~~Other members of our training staff at our Designated Training Center may conduct training as necessary, and we may delegate our duties and share our training responsibilities. Training staff will have a minimum level of experience working in the nail and/or beauty industry, or in business ownership, for at least three years, and will have at least six months experience working within the Frenchies system.~~

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

~~If you have more than one Franchise Agreement with us, we may, at our option, provide this training one time for multiple agreements.~~

~~If you require or request additional assistance beyond what is provided by us, you can request that we send a representative to provide further assistance to you. If we provide additional assistance at your request, we must agree in advance to the charges you will pay and the length of the visit. The cost of additional assistance will depend on your needs and the amount of assistance you desire. We may also require you to receive additional assistance (a) if you are not meeting our requirements, (b) if we determine, in our sole discretion, additional pre-opening or post-opening assistance is required, or (c) if we determine that it is necessary for us to provide additional assistance to you to keep the System competitive. This additional assistance will be at your expense as described above. Our current published rate for additional assistance is \$500 per day, per representative, plus the cost of travel, lodging, and meals, but we reserve the right to adjust that rate periodically in our Operations Manual. (Franchise Agreement—Section 9.I). Additionally, we may from time to time offer optional in-person “fundamentals” or “back-to-the-basics” training sessions at locations we designate. As of the date of this Disclosure Document, fees for these optional training sessions range from \$25 to \$50 per participant.~~

~~*Annual Conference*~~

~~We may hold an annual conference to discuss sales techniques, new services and products, training techniques, bookkeeping, accounting, performance standards, advertising programs, merchandising procedures, nail technician training, and other topics. You must pay the then-current conference fee for each attendee (currently \$399, based on early registration), and all travel and living expenses to attend. We require a Principal Owner to attend these annual conferences. The conferences will be held at various locations that we will designate. (Franchise Agreement—Section 8.E).~~

~~Advertising Programs~~

~~General Advertising and Marketing Fund — Section 5.B of the Franchise Agreement~~

~~Under the Franchise Agreement, each franchisee must contribute amounts to the FRENCHIES “General Advertising and Marketing Fund” equal to 2% of weekly Gross Revenues; provided that we may increase this contribution to up to 3% of weekly Gross Revenues upon notice to you. You must contribute to this fund at the same time you pay your Royalty Fee, based on the amount of Gross Revenues you generated in the previous reporting period. We require all our franchisees to contribute to this fund, and our company or affiliate owned studios must contribute to the General Advertising and Marketing Fund at the same percentage rate as similarly situated franchisees. We do not presently have a local or regional advertising cooperative franchisees must participate in or an advertising council comprised of franchisees, but we retain the right to require that an advertising cooperative and /or franchisee advisory council be formed, changed, dissolved, or merged. Our company or affiliate owned studios will participate in any local or regional advertising cooperatives on the same basis as similarly situated franchisees.~~

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

~~We work with national, regional, and local agencies. It is our responsibility to determine how these monies are spent. We are not required to use monies in this fund to benefit any individual market, or on a *pro rata* or other basis. However, we will not spend any portion of these monies for advertising principally designed to solicit the sale of franchises. Advertising monies we collect that are not used in one year will be carried over to the next year. The fund may spend in any calendar year more or less than the total contributions to the fund in that year, borrow from us or others to cover deficits (which borrowing will include the payment of interest) or invest any surplus for future use. In the event that the General Advertising and Marketing Fund borrows funds from us or our affiliates to cover its deficits, we generally will charge interest at the then standard prime lending rate, over a term reasonably established in order to minimize costs to the fund. In our last fiscal year ended December 31, 2023, expenditures from the General Advertising and Marketing Fund by us were spent as follows:~~

National Public Relations Agency Fees:	28.4%
Ad Fund Administration:	23.4%
Social Content Management Platform:	12.6%
Recruiting	4.4%
Website Hosting and Updates:	2%
Outside Graphic Design, Copywriting, Videography, etc.:	14.4%
Digital Marketing Pilot Program:	14.3%

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

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

Local Marketing and Advertising Cooperatives – Section 6 of the Franchise Agreement

~~You are responsible to conduct your own local marketing of your Nail Studio. There are currently no regional or local marketing programs in existence for the System. We may require you to spend 1.5% of the Gross Revenues of your Nail Studio each month on local marketing and provide us proof that these payments were spent. In the event that at least this amount of your Gross Revenues is not spent on local advertising during any calendar month, you must spend the amount of such deficiency during the next succeeding calendar month, in addition to spending at least 1.5% of your Gross Revenues during such calendar quarter on local advertising. In the event that you fail to spend at least 1.5% of your Gross Revenues on local advertising in any calendar month, we have the right to, at our option, spend it on your behalf and remit the amount from you. If we require you to participate in an advertising cooperative, you will be able to designate a portion of the monies otherwise spent on local advertising towards the funds required by the cooperative. Company-owned and affiliate-owned Nail Studios are not required to spend any minimum percentage of their Gross Revenues on local advertising; however, they will make expenditures in local advertising programs as appropriate. (Section 6.II of the Franchise Agreement).~~

~~We have no obligation to conduct any advertising on your behalf. As used in the Franchise Agreement, the term “local advertising” refers to advertising and promotion related directly to the Nail Studio, and unless otherwise specified, consists only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and “in-kind” promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as we, in our sole discretion, may specify. Local advertising and promotion does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations; and the value of discounts given to customers.~~

~~We reserve the right, in our discretion, to designate any geographical area for the purposes of establishing a regional advertising and promotional program or cooperative and require you to participate in the program, including contribution of up to 1.5% of your Gross Revenues in the respective program or cooperative. If we establish an advertising program or cooperative in a designated marketing area where you are located, you must participate and abide by any rules and procedures adopted by the cooperative and approved by us. All company-owned and affiliate-owned Nail Studios will become a member of the advertising cooperative for their marketing area and contribute to the applicable advertising cooperative in accordance with the rules and procedures for the advertising cooperative. Each of our marketing areas will encompass~~

~~a group of franchisees located in a geographically defined local, regional or national marketing area. Amounts contributed by you to a cooperative will be credited against monies you are otherwise required to spend on local advertising. We have the right to draft your bank account for your advertising cooperative contributions and pass those funds on to your cooperative.~~

~~Members of the advertising cooperative will be responsible for administration of their respective advertising cooperatives, as stated in the bylaws and any agreements that may govern the cooperative. The bylaws and governing agreements will be made available for review by the cooperative's members. We have the right to require a cooperative to prepare annual or periodic financial statements for review. Each cooperative will maintain its own funds; however, we have the right to review the cooperative's finances, if we so choose. Funds used by the cooperative will consist only of contributions made by the members as described above. The funds will be spent on regional advertising and marketing as approved by a majority of the members who vote as more specifically set out in the bylaws governing the cooperative. We maintain the right to approve all of a cooperative's marketing programs and advertising materials. Upon 30 days written notice to affected Nail Studios, we may terminate or suspend a cooperative's programs or operations. We may form, change, dissolve or merge any advertising cooperative. (Section 6.H of the Franchise Agreement).~~

Grand Opening Advertising

~~Before your Nail Studio opens, you will be expected to advertise its opening and create a Grand Opening and Ramp Up Plan that we approve. The Grand Opening and Ramp Up Plan may include digital media, print media, television advertising, radio advertising, billboards and other outdoor signage. You must provide us with a Grand Opening and Ramp Up Plan that we approve at least 30 days prior to the opening of your Nail Studio, which outlines your plan for the grand opening advertising of your Nail Studio. We may require you to work with one or more vendors that we designate to execute the Grand Opening and Ramp Up Plan. During the period of time beginning 30 days before until 90 days following the opening of the Nail Studio, you must spend a minimum of \$15,000 to implement a grand opening advertising and promotional campaign. We, at our sole discretion, may require you to purchase certain digital media, print media, television, advertising, radio advertising, billboards, signage, plus graphic designs, layouts, and written copy for advertisements, from us or from other vendors that we designate. We may require you to provide proof that these funds were spent. If you fail to spend the minimum required amount on the Grand Opening and Ramp Up Plan, we have the right to collect from you the difference between what you should have spent for the Grand Opening and Ramp Up Plan and what you actually spent. The amounts you spend on the Grand Opening and Ramp Up Plan are in addition to the General Advertising and Marketing Fees that you must pay to us. The Grand Opening and Ramp Up Plan may include digital media, print media, television advertising, radio advertising, billboards, or other outdoor signage. In addition to costs associated with the Grand Opening and Ramp Up Plan, you must purchase certain marketing materials such as branded promotional products, printed materials, large format indoor or outdoor signage, and similar items, from us or a designated supplier. (Section 6.F of the Franchise Agreement).~~

Marketing Resources, Pre-Approvals For Marketing Materials

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

~~ultimately responsible for ensuring that your advertising complies with all applicable laws before using it. (Section 6.A of the Franchise Agreement).~~

~~Site Selection and Opening~~

Under a Franchise Agreement — Section 7 of the Franchise Agreement

~~We, or a third party vendor we designate, will provide you with consulting services to assist you in evaluating and selecting a site for your Nail Studio. It is your obligation to select a site for your studio and obtain our approval of that site. While we will assist you, we do not locate or select a site for you, or negotiate the purchase or lease of a site, and we do not generally own the premises and lease them to you. We also do not provide assistance in conforming the premises to local ordinances and building codes and obtaining any required permits, constructing, remodeling, or decorating the premises, or hiring and training employees. Before you acquire any site, you must submit to us information and materials we require and obtain our approval of your site. The lease you ultimately sign must include a Collateral Assignment of Lease in substantially the form of **Exhibit C** to the Franchise Agreement. The factors we take into account in approving a site are the visibility of the site, the retail “feel” of the site, the location of competitors, whether the site is easily accessible, and similar factors. A Nail Studio should have at least 1,200 square feet, and we recommend no larger than 1,800 square feet, and we recommend your build out provide for eight manicure stations and eight pedicure stations. We will generally tell you within 30 days whether or not we approve your proposed site. As described below, if you do not open your Nail Studio within 12 months from the date the Franchise Agreement becomes effective, we have the right to terminate the We do not require that you contribute to an advertising fund. As described in Item 6, however, we impose and collect 2% of Gross Revenue as a Marketing Fee which compensates us for certain marketing and promotional activities such as the management of online entities and the creation and production of promotional materials. While we have no contractual obligation to do so, it is our intent to spend Marketing Fee monies, or an equivalent amount, on national brand development, promotions, websites, and other brand awareness activities. We do not guarantee that you will benefit from the Marketing Fee in proportion to your Marketing Fee payments.~~

Marketing Fee monies will not be held in a trust or escrow account, nor do we have any contractual obligation to account for Marketing Fee monies separately, and we will not have any fiduciary obligations to you with respect to the Marketing Fee. We will determine the use of the Marketing Fee monies. The collection and accounting of the Marketing Fee is not independently audited separate from Franchisor’s annual audited financial statements. A franchisee may request an annual report of general category spending of collected Marketing Fees. This report may be requested in writing and will be provided in the manner we determine no more than one time per year and only after March 1 for the prior year. If Marketing Fee monies are not spent in the fiscal year in which they accrue then, as these amounts are general operating funds, we may spend such monies as we deem appropriate. We will not be required to spend any particular amount on marketing, advertising, or promotion in your Studio’s market area, nor any pro rata amount based upon your Marketing Fee payment. We do not primarily use Marketing Fees received for the solicitation of new franchise sales. Franchisor-owned outlets are not obligated to pay Marketing Fees.

In our last fiscal year ended December 31, 2024, expenditures from the Fund by us were spent as follows: 36% on administration; 27% on public relations; 24% on marketing software; 6% on strategy; 2% on website development; 4% on national advertising campaigns; and 1% on creative asset development.

Advertising Cooperative or Advertising Council

We may, in our sole discretion, elect to form an advertising cooperative and/or advertising council for the benefit of the franchise system. If advertising cooperatives or councils are formed, we will retain the right to change, dissolve or merge any such cooperative or council, in our sole discretion. As of the date of this disclosure document we have not established any advertising cooperative or council, however, when

applicable, the terms of the Franchise Agreement require you to participate in any such advertising cooperative or council as directed by us.

~~Franchise Agreement.~~

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

~~We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Nail Studio will be 6 to 12 months. Some factors that may affect this timing are your ability to acquire a location for your Nail Studio through lease or purchase negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment, tools, and inventory; and the time to convert, renovate, or build the facility. You must open your Nail Studio within 12 months from the date the Franchise Agreement becomes effective, unless, as explained in Item 5, we have agreed to an extension and you have paid the extension fee. Your failure to open your Nail Studio by the required deadline will constitute a default of your Franchise Agreement and allow us to terminate your Franchise Agreement.~~

~~Under an Area Development Agreement – Section 3.B of the Area Development Agreement~~

~~For each proposed site for a Nail Studio to be developed under the Area Development Agreement, you must also obtain approval of your site as outlined above and in accordance with our then-current requirements for a Nail Studio site. If you sign an Area Development Agreement, you must sign individual Franchise Agreements and begin operating a Nail Studio under each of those agreements within the time provided for in the Development Schedule.~~

~~Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. Under the Franchise Agreement and Area Development Agreement, our approval (or failure to disapprove) of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Nail Studio or for any other purpose, or as to any expected level of sales, revenues or profits. Approval by us of the site indicates only that the site meets the minimum requirements for a FRENCHIES location.~~

~~We also may require you to materially refurbish the premises of your Nail Studio to conform to the System's then-current design, trade dress, color schemes and presentation of the Marks. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and must be completed pursuant to such standards, specifications and deadlines as we may specify as are standard to the System at the time. We may not require you to do so more than once every five years, unless sooner required by your real estate lease. Franchise Agreement, Section 9.U.~~

~~Software and Computer Equipment—Section 9.E of the Franchise Agreement~~

Computer Hardware

You must purchase and use computer hardware and software that we periodically designate for the operation of your ~~Nail~~ Studio. Currently, you must purchase at least two computers to operate your business. At least one computer must be used in the front reception area, and at least one must be a laptop available in the staff break room or office. You also will need to purchase an iPad to check customers out. You must also purchase other hardware to operate your ~~Nail~~ Studio and take payments, including a printer, cash drawer, barcode scanner, phone system, and a security and sound system. We may provide you with detailed specifications and policies for these components, however, other than meeting our minimum requirements to ensure they are capable of integrating with our designated software, we do not currently specify the computers or types of hardware you purchase. The computers will not only assist you in operating your business, but the computer in your reception area will be integrated with our studio management software and our accounting system. You will also use your computer to order your marketing materials and other supplies from us and our approved vendors. The cost of your computer will vary based on the brand and model you choose.

We do not have any obligation to upgrade or maintain the hardware you purchase or the software that comes with that computer and we cannot predict the costs of upgrades or maintenance. We do not offer any separate warranty.

The total cost to purchase the required Computer Hardware is approximately \$2,200 to \$4,800, which is subject to change, and dependent on the brands and model you choose. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, and communications systems into conformity with our then-current standards for new ~~Nail~~ Studios.

Computer Software

~~Much of the software that you will use for your computer is standard software, not including the studio management software discussed below, that you will order with your computer. You will need to obtain access to QuickBooks Online, which is currently \$20–\$40 per month, depending on which version you choose, and which is subject to change. However, we do prescribe certain software you must use in your business including the studio management software from our mandatory vendor, which is covered by the Technology Fee that you pay to us.~~

~~We will arrange for you to obtain a license to use studio management software for use in your studio and other software programs specified in our Operating Manual. The cost for this software is included in the Technology Fee you pay to us. This software is a proprietary product that has been approved for our System and we have not approved any compatible equivalent software. We and the software vendor will provide the continuing monthly support you need to operate this studio management software. We also intend to provide software updates at no cost to you as part of the Technology Fee, but we are not obligated to do so, and whether we do so or not is likely to depend on the extent of any upgrades. We do not provide support for any other thirdparty software. You will also need to obtain the required software provided by our designated bookkeeping and reporting vendor, which integrates to our studio management software.~~

~~There is currently no separate fee for this software, other than the standard fee you pay to this vendor for the provision of their services, and this vendor will provide the support you need to operate this software.~~

~~As part of the Technology Fee you pay to us, we or a designed vendor will also provide to you email hosting and support (including up to five @frenchiesnails.com email addresses, antivirus support, and auto-push emails to mobile phones). In addition, one of our vendors currently has established an online purchasing portal for certain marketing collateral and promotional items. There is no separate fee for this software, but you will need to access their portal and purchase required branded marketing materials that we require for use in your Nail Studio.~~

Ongoing Maintenance and Use

No later than 90 days after you begin our on-boarding process, you must obtain certain designated software and pay the respective software vendors their then-current fees, including for accounting, voice over internet protocol phone system, Microsoft Office 365, email services and antivirus protection.

We have also established a Technology Fee, currently \$150 per month, which we will apply toward such software and technology related costs, intranet development, support, maintenance, and related costs; software or application development, customization, and implementation; online or Internet-related support; hardware and/or software support; business intelligence development and other such technologically related activities.

At our request, you must install and maintain interactive multi-media equipment, devices, and facilities that we require, including approved music systems, wi-fi and other wireless Internet and communications systems, and interactive displays, including plasma or LCD screens.

Except as described above, neither we, our affiliates, nor any third parties must provide ongoing maintenance, repairs, upgrades, or updates to your computer system or other computer equipment. Except as described above, there are currently no optional or required maintenance/upgrade contracts for the Computer System or other computer equipment.

You must install any other hardware and/or software for the operation of the store that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. There is no contractual limitation on the frequency or cost of these obligations. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Frenchies Modern Nails.

Ongoing Maintenance and Use

We have an approved vendor that will provide certain required computer hardware components, including a managed PCI compliant network, computers and other hardware, phone systems, internet access, cabling installation, and security, audio and video systems. The cost for its services ranges from \$400 to \$900 per month, depending on the package and level of support that you choose. You are not required to use its services or purchase any products from them.

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

You must have sufficient computer skills to be able to operate your computer system and to access email and the internet. You must have access to the internet and maintain an email account that allows us to communicate with you on a regular basis. You will use your computer for appointment scheduling,

customer management, point-of-sale transactions, employee management and education, e-commerce, inventory management, business and payroll reporting, marketing, and social media integration. Our software will also give you access to our online Franchisee Support Center, ongoing product development, and online education.

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

ITEM 12

TERRITORY

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

~~Once we have approved the location for your Nail Studio, we will give you a protected territory. (If you sign an Area Development Agreement with us, we will also give you a development territory at the time you sign that agreement as outlined below.) The limitations on us in that territory are described below. You are permitted to provide off premises services with our consent only within your protected territory and are prohibited from providing off premises services outside of your protected territory unless we allow you to do so by providing you with written permission. If you sign an Area Development Agreement, you must obtain our approval for each subsequent Nail Studio based on our then-current standards and specifications.~~

~~As a result of our reserved rights described below, you~~ Initial Training Program

The Initial Training Program consists of two components for a fee of \$8,000. The initial training fee is due at the time of signing and is not refundable. The first component, "Business Training," is comprised of virtual and in-person training, with the live portion typically hosted in Dallas, TX. The second component, "Studio Opening Training" is conducted in your Studio, just prior to opening. You are eligible to attend Business Training only after you have a signed Lease. Typically, franchisees attend Business Training within 90 to 100 days of their anticipated Soft Opening. The completion of Business Training is mandatory. We reserve the right to delay this training if all of the pre-training requirements, as set forth in the Manual and onboarding processes, are not met. If you are hiring a General Manager to run the studio operations, we strongly recommend you have them attend this training as well. We will provide the training, the instructor(s), a training manual, and other materials for up to three trainees. You must pay us a fee (currently \$300 per day) for each additional attendee you send to the initial training program. We reserve the right to implement online training in addition to, or that cover certain, business-related subject matters currently included in classroom training sessions. You are responsible for all travel and lodging expenses related to

attending Business Training. The Initial Training Program is only required in connection with your first studio, so long as you will be the general manager of your subsequent studios.

The Initial Training Program Fee of \$8,000 currently includes Business Training tuition and the cost of travel for a corporate trainer or studio opener to provide Studio Opening Training at your first Studio only. The cost of owner or manager related travel is not included in the \$8,000 fee. Any/all additional training, including training for—if applicable, requested or required by the franchisor—your second and subsequent Studios, is currently provided at \$300/day plus travel.

The initial training program is held on an as needed basis and is directed by our Director of Training, Kayla Bramlet. Kayla is a licensed manicurist and has been our Director of Training since January 2018. For the three years prior to that, Kayla worked and managed the Studio in Littleton, Colorado operated by our affiliate, Frenchies Revolution. She also is a joint owner of a Studio and has been since November 2018. The Initial Management Training Program may also be overseen by Scot Cannon, our Brand Leader since August 2024. Previously, Scot served as our Vice President of Field Support since January 2018. Each component of the initial training program must be completed to our satisfaction. You must attend and participate in all sessions of the Initial Training Program. If we determine that you have not completed or are unable to complete our initial training program satisfactorily, we may offer another chance to re-take the initial training program at your expense. Your failure to complete initial training to our satisfaction will give us the right to terminate your Franchise Agreement.

TRAINING PROGRAM

<u>Subjects</u>	<u>Hours of Classroom Training</u>	<u>Hours of On the Job Training</u>	<u>Location</u>
<u>Introduction to Frenchies</u>	<u>3</u>	<u>0</u>	<u>Virtual and/or Dallas, Texas or such other designated training center</u>
<u>Operations/Employee Experience</u>	<u>10.5</u>	<u>2</u>	<u>Virtual and/or Dallas, Texas or such other designated training center</u>
<u>Performance Measurement</u>	<u>3</u>	<u>0</u>	<u>Virtual and/or Dallas, Texas or such other designated training center</u>
<u>Information Technology/POS</u>	<u>6</u>	<u>8</u>	<u>Virtual and/or Dallas, Texas or such other designated training center</u>
<u>Financial/Accounting</u>	<u>2</u>	<u>0</u>	<u>Virtual and/or Dallas, Texas or such other designated training center</u>
<u>Procurement (vendors/supplies)</u>	<u>5</u>	<u>0</u>	<u>Virtual and/or Dallas, Texas or such other designated training center</u>
<u>Sales/Marketing</u>	<u>5</u>	<u>1</u>	<u>Virtual and/or Dallas, Texas or such other designated training center</u>
<u>Hands-on Operations Training</u>	<u>0</u>	<u>5-10</u>	<u>Your Studio location</u>

<u>Subjects</u>	<u>Hours of Classroom Training</u>	<u>Hours of On the Job Training</u>	<u>Location</u>
<u>TOTAL</u>	<u>34.5</u>	<u>16-21</u>	

If we determine, however, that you have not met the minimum requirements for the establishment of the Studio by the timelines set forth in the Manual, we may elect to provide you with additional on-site assistance as we deem appropriate and you agree to pay our per diem fee for this additional assistance as well as our related travel, lodging, and dining costs.

We may make available additional courses, seminars, and other training programs as we consider appropriate. You must cause your General Manager and other employees whom we designate to attend these mandatory programs. In addition to our fee related to such additional training programs, you must pay all attendance related travel, lodging, and dining costs for your Managing Owner, General Manager and designated employees.

Site Selection and Opening

When you sign the Franchise Agreement, we will agree on a “Site Selection Area” within the MSA which you must locate the Studio. If we grant you the right to open multiple franchises under our form of Development Agreement, you will be granted similar Site Selection Areas within the same MSA for each license purchased. So long as you are in compliance with your Development Schedule, we will not grant anyone else the right to open and operate a Studio within your Site Selection Areas. Once you have identified an acceptable location within the Site Selection Area, we will define and provide you with a “Protected Area.” This “Protected Area” will consist of an area, typically a circle, surrounding your premises containing a population of up to 40,000 individuals, and will not exceed a maximum diameter of six miles (or a three-mile radius). You must acquire an acceptable site and open your Studio by no later than the Control Date identified in the Franchise Agreement, which is one year from the effective date of the Franchise Agreement and typically means securing a site no later than six months after signing the Franchise Agreement. If you fail to acquire an acceptable site and open by Control Date, we may grant you an extension so long as you are actively pursuing an acceptable studio location. If you are not actively pursuing a studio location, we may terminate the Franchise Agreement or revoke your territorial rights within the Site Selection Area. You acknowledge that Franchisee Fees are earned upon receipt and that no refund is available to you if you fail to open. For each proposed site that you identify through partnership with our required real-estate provider, you must deliver to us a franchise site application in a form that we prescribe, including information about the site as we may reasonably request to perform our evaluation. We will approve or refuse to approve your proposed site within 30 days of receiving all requested information about the site. The criteria that we use to evaluate the site include general location, neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms. Factors the Franchisor considers in approving sites are demographics of the area, rent and square footage. Franchisor does not generally own the premises, nor leases it to the franchisee.

A Studio usually opens for business within twelve months after the Franchise Agreement is signed. You must find a site and enter into a lease within 9 months from signing your Franchise Agreement. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a location which we will accept; to obtain any financing you need; to obtain required licenses, permits, and governmental agency approvals; to fulfill local ordinance requirements; to complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; and to complete our initial training program and to complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

If you fail to open the Studio by the Control Date, we can terminate the Franchise Agreement. If you have entered into a Development Agreement to open multiple Studios, your Development Agreement will include a Development Schedule containing a deadline by which each Studio must be open and operating. If you fail to develop each Studio by its corresponding deadline, we may terminate the Development Agreement and revoke your territorial rights within the corresponding Site Selection Areas.

ITEM 12 TERRITORY

Franchise Agreement

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.

You will operate the Studio at a location that we have accepted and may relocate the Studio only with our prior written consent. We will consent to relocation if your lease expires or terminates through no fault of yours, or if the Studio premises is destroyed or materially damaged by fire, flood, or other natural catastrophe, and you are not in default of the Franchise Agreement or any other agreement with us or our affiliates.

You will select a Studio location, which we accept, from within your designated “Site Selection Area” within the MSA identified in Attachment B. When the Studio location is identified, we will apply a “Protected Area,” which will also be identified in Attachment B to the Franchise Agreement. Except as described below, the Protected Area will typically range between one-half-mile radius and three-mile radius around the Studio.

During the franchise term, we will not own or operate, or grant anyone else the right to operate, a Studio under the trademark FRENCHIES® within the Protected Area. Excepted out from the Protected Area will be venues within the Protected Area that we consider “Closed Markets.” These include any facility serving a captive market, including hotels, resorts, airports, public facilities, college and school campuses, military bases, and any other mass gathering events or locations, and facilities of any kind for which hand, foot, nailcare and other related services rights are, or may reasonably be anticipated to be, contracted to a third party or parties. As long as you meet the eligibility requirements for the Closed Market location and are not in default under any agreements with us, we agree to offer you a 30-day right of first refusal for any Closed Market locations that are located within your Protected Area prior to developing the location ourselves or offering them to a third party. Your Franchise Agreement grants you the right to sell products and services only at your Studio location. Therefore, so long as your customers come to your Studio location for the purchase of products and services, you will not be restricted from soliciting sales or accepting orders within or outside of the Protected Area, and neither we nor other franchisees must pay any compensation to you for soliciting or accepting orders within your Protected Area. The Franchise Agreement does not grant you any right to distribute FRENCHIES® brand products through wholesale channels, such as mail order, catalog sales, or Internet sales whether within or outside of your Protected Area. Unless granted to you under our Development Agreement, you do not have any options, rights of first refusal or other rights to acquire additional franchises. Neither we nor our affiliates have any current plans to operate a franchised business under a different trademark that will sell goods or services that are the same as or similar to those offered by Studios.

Development Agreement

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

Under an Area Development Agreement

If you sign an Area Development Agreement, we will describe the development territory in the Rider to that agreement. The territory will typically be described as a geographic area in which each of your Nail Studios must be developed. The factors that we consider in determining these territories include density of population, growth trends of population, apparent degree of affluence of population, the density of residential and business entities, traffic generators, driving time, natural boundaries, location of other Nail Studios, the number of Nail Studios you wish to develop and our development plans. As long as you are in compliance with your obligations under the Area Development Agreement, we will assign an MSA, provide a Development Schedule and assign a Site Selection Area for each license within the MSA.

We typically identify your initial Site Selection Areas within the MSA early during the franchise due diligence and offer process, based on where you tell us you wish to operate, and the agreed-to geographic description is inserted into your Development Agreement before you sign it. The Site Selection Area may not be modified at any time during the term of the Development Agreement unless the parties mutually agree to the modification in a separate signed writing. If we grant you the right to adjust your Site Selection Area(s), you may incur our then-current change fee.

If you are in full compliance with your Development Agreement and any existing Franchise Agreement you have entered into with us, then we will grant you the right to open the number of THE LASH LOUNGE® franchises you agreed to open as part of your Development Schedule within the MSA. Franchisees are approved to start pursuing subsequent studios upon a successful opening of their initial studio and after applying for consideration. We do require that you locate, review, and secure these locations using our approved supplier for site selection services. Your rights within the MSA and Site Selection Area(s) are non-exclusive but are representative of the inventory of licenses we award within a given MSA. We reserve the right to alter inventory at any time in response to market conditions.

Once you have secured a Premises for a given Studio to be developed per your Development Agreement, we will grant you a Protected Area around that Studio as described above.

Development Schedule

Your Development Schedule will depend on the number of units you acquire the rights to develop in your Development Agreement. If you enter into an agreement granting you the rights to develop three units, your Development Schedule will be as follows:

<u>Expiration of Development Period (each, a “Development Period”)</u>	<u>No. of New Studios Opened Within Development Period</u>	<u>Cumulative No. of Studios that Must Be Open and Operating</u>
<u>12 Months from Effective Date</u>	<u>1</u>	<u>1</u>
<u>Months 13 through 36 of the Development Agreement</u>	<u>1</u>	<u>2</u>
<u>Months 37 through 48 of the Development Agreement</u>	<u>1</u>	<u>3</u>

Other Disclosures

We reserve to ourselves all other rights, including the right: (a) own and operate and to grant others the right to own and operate Studios outside the Protected Area, regardless of their proximity to the Protected Area, but will make reasonable efforts to responsibly approve sites based on experience and data; (b) to own and operate and grant others the right to own and operate FRENCHIES® Studios, and license the use of the Marks and System, in “Closed Markets” within and outside the Protected Area; and (c) the right to

distribute products and services, whether identified by the Proprietary Marks, such as Private Label Products, or under different trademarks, within and outside of your Protected Area through alternative channels of distribution including mail order, catalog sales, department studios, retail studios, supermarkets, and/or Internet sales. We are not required to compensate you if we exercise any of the rights specified above inside your Protected Area.

Except for the Protected Area granted in your Franchise Agreement, we do not grant any rights of first refusal to obtain additional franchise rights or specific sites. If you wish to develop additional Studios, you must enter into a new Franchise Agreement and meet all our current requirements for franchisees. There are no circumstances that permit us to modify your Protected Area, nor do we require that you meet a minimum sales quota.

Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional Studios, other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights. Regardless, each Studio you are granted the right to open and operate must be governed by its own specific executed Franchise Agreement.

Other than the rights granted under our Development Agreement or Franchise Agreement, we do not grant you any other option or rights of first refusal to acquire additional development areas.

~~Development Agreement~~ and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Nail Studio in these development territories, subject to our reserved rights below. Your rights in these territories will end at the earlier of: (i) the date your Area Development Agreement expires; and (ii) the date you must sign the Franchise Agreement for your last Nail Studio under the terms of the Development Schedule. If the protected territory covers more than one city, county, or designated market area, the protection for each particular city, county or designated market area will also expire on the date when we determine the protected territory to be given to you under a franchise agreement for your final Nail Studio to be developed in that city, county, or designated market area. When your rights in your development territory have expired under the Area Development Agreement, you will still have the rights granted to you in any portion of these territories under an individual franchise agreement.

Under a Franchise Agreement

When you sign a Franchise Agreement, we will give you a protected territory and describe it in a Rider to that agreement. We may attach a map to your Franchise Agreement that will identify the territory or we may simply describe an area surrounding your location. The map or description may not be a specific radius from your studio, because it will take into account traffic patterns and natural boundaries. However, the territory will range from approximately one half mile from your studio (in densely populated metropolitan areas) to as much as three miles. You may locate your Nail Studio at any place within that territory, subject to our approval based on our site selection requirements, so long as the site you select is not also within the territory of another FRENCHIES studio. Protected territories may overlap, but we will not approve anyone opening a FRENCHIES studio, or relocating a FRENCHIES studio, into a protected territory given to another studio. (By way of example, one person may have a FRENCHIES studio in the center of City A, with a territory of two miles in all directions, while another person has a FRENCHIES studio in the center of City B, located three miles away from the site of the first franchisee's FRENCHIES studio, and also with a territory of two miles. While the territories overlap, each franchisee's studio is located outside the protected territory of the other franchisee, and it cannot be relocated within the other franchisee's protected territory.)

The criteria we use for determining the boundaries of the territory in your Franchise Agreement include density of population, growth trends of population, apparent degree of affluence of population, the density of residential and business entities, traffic generators, driving time, and natural boundaries. During the term

~~of your Franchise Agreement, we will not place or license to anyone else the right to place a FRENCHIES studio in your protected territory. Our reserved rights with respect to this protected territory are listed below.~~

Under the Franchise Agreement and Area Development Agreement

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

~~If you do not name a protected territory or development territory, or if your protected territory or development territory is “to be determined” you will not have exclusive rights in a territory until you name a location that is approved by us and we assign your protected territory or development territory, as applicable. In this case, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.~~

Our Reserved Rights under the Franchise Agreement and Area Development Agreement

~~Under both the Franchise Agreement and Area Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):~~

~~(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including FRENCHIES studios operating under the Marks and the System selling the products and services at any location outside your protected territory regardless of their proximity to, or potential impact on, your territory or Nail Studio(s).~~

~~(2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Marks, whether such businesses are similar or different from the Nail Studio, at any location within or outside the protected territory, notwithstanding their proximity to the territory or your location or their actual or threatened impact on sales of the Nail Studio.~~

~~(3) We may sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products through wholesalers to third parties or through mail order, toll free numbers, the Internet or other electronic media, mobile or temporary locations, and other distribution channels, including those products bearing our Marks, provided that distribution within the protected territory shall not be from a FRENCHIES studio established under the System that is operated from within the territory. You may not use alternative distribution channels to make sales outside or inside your protected territory, and you will not receive any compensation for our sales through alternative distribution channels.~~

~~Additionally, during the term of your Area Development Agreement and Franchise Agreement, we may (i) acquire one or more retail businesses that are the same as, or similar to, FRENCHIES studios then operating under the System (each an “Acquired Business”) which is part of a system of retail businesses that we acquire (an “Acquired System”). An Acquired Business may be at any location within or outside the protected territory, notwithstanding their proximity to the protected territory or your location or their actual~~

~~or threatened impact on sales of your Nail Studio, and we may operate and/or license others to operate any Acquired Business under its existing name or as a FRENCHIES studio under the System at any location. You will have no right to purchase, and we will not be obligated to offer you any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. We may license such unit to be operated under any trade name or trademarks, including the Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the protected territory or development territory.~~

~~You may sell products and services to retail customers and prospective retail customers who live anywhere but who choose to visit your Nail Studio. All of your advertising, including your website, must be approved by us. You may not engage in any promotional activities or sell products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including tollfree numbers, directed to or received from customers or prospective customers located anywhere, without our approval. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your protected territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell the products to any business or other customer for resale purposes.~~

~~Although we have not done so, we and our affiliates may sell products and services under the Marks within and outside your protected territory through any method of distribution other than a FRENCHIES studio, including sales through such channels of distribution as wholesalers, distributors, mail order, toll-free numbers, the Internet, catalog sales, telemarketing or other direct marketing sales (together, “**alternative distribution channels**”). You may not use alternative distribution channels to make sales outside or inside your protected territory and you will not receive any compensation for our sales through alternative distribution channels.~~

~~We have not yet established and do not presently intend to establish other franchises or company-owned or affiliate-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark, but we reserve the right to do so in the future, without first obtaining your consent.~~


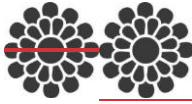
~~You may not move or relocate your studio without our prior written consent, which consent will not be unreasonably withheld. A request for relocation must be made in writing, stating the new location, received by us at least 60 days before the date of intended relocation, and be accompanied by a relocation fee of \$1,000 (the “**Relocation Fee**”). The new location must be within your territory, and it may not be located within any territory we grant to any other franchisee. We will refund the Relocation Fee to you if we do not approve your new location. In addition to the Relocation Fee, you will be responsible for any additional expenses we incur in facilitating your relocation.~~

ITEM 13

TRADEMARKS

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

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

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
FRENCHIES	4,808,454	September 8, 2015	Principal
	5,780,710	June 18, 2019	Principal
WE LOVE CLEAN	6,288,424	March 9, 2021	Principal
	6,582,582	December 7, 2021	Principal

Some of these Marks were originally registered, or applied for, by ~~FRENCHIES REVOLUTION~~ Frenchies Revolution, LLC and later assigned to ~~FRENCHIES~~ Frenchies, LLC on March 19, 2015.

Additionally, we have registered the following Mark on the Supplemental Register of the USPTO:

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
POLISH PASS	6,176,984	October 13, 2020	Supplemental

If our right to use the trademarks are challenged, you may have to change to an alternative trademark, which may increase your expenses. Trademarks registered on the Supplemental Register do not have as many legal benefits and rights as those registered on the Principal Register.

With respect to all Marks, currently, we know of no: (a) effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court; (b) pending infringement, opposition, or cancellation proceedings; or (c) pending material litigation involving any of our Marks that is relevant to the use of the Marks. No currently effective litigation affects our use or ownership rights in any Mark. We have filed or intend to file all required affidavits and renewals for the Marks. No currently effective agreement limits our right to use or license the use of our Marks.

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

We will protect and maintain all rights to use our Marks against encroachment, misuse, or unauthorized use and against all challenges to any rights of its use as we deem appropriate. You must notify us immediately when you learn about an infringement of (or challenge to) your use of our Marks. We may take the action

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

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

We are not aware of any other infringing uses that could materially affect your use of our Marks.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or ~~pending patent applications that are~~ registered copyrights material to the ~~purchase of a franchise.~~ ~~We do~~ However, we claim copyright protection for our manuals, and to in the Manual, the design elements of our marks, our product packaging, advertising and promotional materials, forms, and the content and related materials that we produce, but we have not registered these materials with the design of our website (the “Copyrighted Works”).

~~There is no presently effective determination of the U.S. Copyright Office of the (Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement. We may change these materials or require you to discontinue using these materials. You must comply with these changes immediately after we notify you that we have discontinued or modified these materials. We will have no liability or obligation because of the discontinuation or modification, and you have no rights under your Franchise Agreement for any compensation as a result of any discontinuation or modification of these materials.) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We have no obligation to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the copyrights. You may not use any of our Copyrighted Works on the Internet without our written permission. This includes display of the Copyrighted Works on commercial websites, gaming websites, and social networking websites.~~

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

~~We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets. This will be included in our manuals, and in materials we may provide to you separately. You may use these materials in the operation of your Nail Studio, in the manner we approve, during the~~

~~term of your Franchise Agreement. But you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include any trade secrets, knowledge or know how, confidential information, advertising, marketing, designs, plans, or methods of operation. You may disclose this information to your Principal Operator, but only to the extent necessary to operate the studio, and then only while your Franchise Agreement is in effect.~~

~~Any and all copyrights, rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.~~

~~You must disclose to us all ideas, concepts, methods, techniques and products conceived of or developed by you, your affiliates, owners, or employees during the term of the Franchise Agreement relating to the development and/or operation of your Nail Studio. Under the Franchise Agreement you grant to us a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, and techniques in all Nail Studios in the System.~~

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

~~We require that you either personally supervise your Nail Studio or designate a person to act as the “Principal Operator,” in which case we will require you to devote at least 15 hours a week to your Nail Studio; although we reserve the right to waive this requirement in our sole discretion. Your Principal Operator is not required to hold an equity interest in your business. We require that your initial Nail Studio be located within a one hour drive of your primary residence; although we reserve the right to waive this requirement in our sole discretion. You and the Principal Operator must complete our initial training requirements and all other training we reasonably designate. We also require that you or another Principal Owner of your business (someone that owns more than 10% of your business) attend our Annual Conference each year, even if that person is not personally supervising your Nail Studio.~~

~~If you are a legal or business entity, each individual who has any ownership interest in your business, directly or indirectly, must sign the Guaranty and Assumption of Franchisee’s Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement. We also require you to obtain a Confidentiality and Non-Competition Agreement from any Principal Operator and/or Studio Manager (and all other persons performing similar functions, regardless of their title), in a form we approve. While we will provide a sample form of this agreement to you, it is your obligation to make any modifications required to that form to comply with the law in the state in which your Nail Studio is located.~~

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

~~You must refrain from using or permitting the use of your Nail Studio for any other purpose or activity at any time without first obtaining our written consent. You must sell or offer for sale only those services and~~

~~products that we approve and that meet our standards and specifications. You must follow our policies, procedures, methods, and techniques and comply with all of our mandatory standards and specifications. We have the right to change the services and products that we require you to offer at any time, without limitation. We reserve the right to establish maximum and minimum resale prices for use with multi-area marketing programs and special price promotions.~~

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

You and your employees must maintain the confidentiality of all information contained in the Manual and other information that we consider confidential, proprietary, or trade secret information. Confidential Information means all trade secrets, and other elements of the System; all customer information, which includes all data collected from former, existing, and/or potential customers including customer names and addresses, discounts and credit extensions to customers, customer contracts, designs, and status information (collectively, “Customer Information”); all information contained in the Manuals; and standards and specifications for services and products offered; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Studio which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, any training we provide, and all other information that we designate (collectively, “Confidential Information”). You must implement any reasonable procedures we may adopt to protect our Confidential Information including restrictions on disclosures to your employees and requiring employees who will have access to our Confidential Information to sign employment agreements containing non-disclosure and non-competition provisions. You are prohibited from disclosing Customer Information and our other Confidential Information to third parties, including entering such information into public/open AI models or any other AI model that uses such information to train the AI unless specifically authorized by us, and you must adhere to any privacy policies we may now, or in the future, establish with respect to Customer and/or Confidential Information.

You may not contest our exclusive ownership of the copyrights, trade secrets, processes, methods, procedures, formulae, techniques and other proprietary information to which we claim exclusive rights.

If you or your employees or owners develop any new concept, process or improvement in the operation or promotion of your Studio, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your owners agree that any of these concepts, processes, or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

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

If the franchisee is a business entity, at least one Owner must oversee the general operations and business activities of the Studio. You must also designate a General Manager, who may, but is not required to be, an Owner, who oversees the day-to-day operations of the Studio and devotes his or her full-time energy and best efforts towards the management, operation, promotion, and growth of the business. The designated Owner and General Manager may be the same individual. At least one of your Owners and the General Manager (if the General Manager is not an Owner) must successfully complete our initial training program.

The General Manager may not engage in any other business or activity that requires substantial management responsibility or time commitment. If your General Manager ceases to serve in, or no longer qualifies for the position, you must designate a new General Manager within 30 days. Each replacement General Manager must successfully complete our initial training or Manager Training program before assuming responsibility.

If the franchisee is a business entity, each Owner identified in Attachment C to the Franchise Agreement must sign a Personal Guaranty and Undertaking substantially in the form attached as Attachment D-1 to the Franchise Agreement. The spouse of an Owner is required to sign the Personal Guaranty and Undertaking regardless of whether or not they have an ownership interest in the Franchisee. Any individual who attends our initial training program, including your General Manager, must sign a confidentiality and non-competition agreement substantially in the form attached as Attachment D-2 to the Franchise Agreement.

The term “Owner” means each individual or entity holding a direct or indirect beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

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

Except as described below, you must offer and sell all the products and services that we require, and only the products and services that we have approved. We may add, eliminate and change products and service items periodically, and you must comply with all directives (which may require purchasing and installing additional equipment). There are no limits on our right to make changes. We may, on occasion, require you to test market products and/or services at your Studio. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations that we establish.

All sales must be for retail consumption only and you may not engage in wholesale sales of any kind through any channels of distribution without our prior consent. You may not sell Proprietary Products through any means of distribution other than from the Studio at the Franchised Location unless we expressly authorize in writing. We have the right to establish maximum, minimum or other retail pricing requirements to the extent permitted by law.

You may not operate any co-branding marketing system without our prior written consent, which may be withheld in our sole discretion. No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Studio.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

[Franchise Agreement](#)

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS Summary</u>
a. Length of the franchise term	Section 2.A— Franchise Agreement Sections 3.A and 4 and Rider—Area Development Agreement 2.1.	The initial term is ten (10) <u>earlier of 10 years-</u> The term in an Area Development Agreement depends on <u>following the number of franchises to be developed under date you open the Area Development Agreement. It will typically be between one (1) and five (5) Studio for business, or 11 years- following the Effective Date of the Franchise Agreement.</u>
b. Renewal or extension of the term	Section 2.B— Franchise Agreement Area Development Agreement—Not Applicable 2.	If you are in good standing and you meet our conditions , you can renew your franchise for an <u>two additional ten (consecutive 10)-</u> year period. You cannot renew the Area Development Agreement terms.
c. Requirements for you <u>franchisee</u> to renew or extend	Section 2.B— Franchise Agreement Area Development Agreement—Not Applicable 2.	Give written notice; show you are in compliance with all agreements with no series of defaults; update (or move) your location to comply with then-current standards; pay renewal fee; sign new franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); show that you have the right to remain in possession of the location for the renewal term; sign general release; your staff completes any required refreshing training. You do not have the right to renew or extend the Area Development Agreement. (Subject to applicable state law). Your renewal right permits you to remain as a franchisee after the initial term of your Franchise Agreement expires. However, to remain a franchisee, you must meet all required conditions to renew, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document, and pay the renewal fee. Other requirements are: you must, no less than 180 days prior to the expiration date of the Franchise Agreement, provide us with your notice of intent to renew; not be in default under the Franchise Agreement; have complied with your material obligations during the Term; you have satisfied all monetary obligations owed to us, our affiliates, and third party suppliers; you must, at our request, renovate or modernize your Studio to comply with our then-current standards; demonstrate that you have the right to remain in possession of the Studio

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS-Summary</u>
		<u>premises; comply with the then-current qualifications and training requirements; sign our then-current form of franchise agreement which may contain materially different terms from your previous franchise agreement, including different Royalty Fee and Marketing Fee rates; you and your owners sign a general release; and you pay to us the required renewal fee.</u>
<u>d. Termination by you franchisee</u>	Franchise Agreement —Not Applicable Area Development Agreement —Not Applicable Not applicable	None (subject to applicable state law) <u>Franchisees may terminate the agreements under any grounds permitted by state law.</u>
<u>e. Termination by us franchisor without cause</u>	Franchise Agreement —Not Applicable Area Development Agreement —Not Applicable Not applicable	None. <u>Not applicable</u>

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS Summary</u>
<p><u>f.</u> Termination by us<u>franchisor</u> with cause</p>	<p>Sections 13.1-A., 13.2., 13.3., 13.4., and 14— Franchise Agreement Section 13.5— Area Development Agreement.</p>	<p>If We can terminate if you do not open in twelve (12) months (without an extension) or are in <u>materially</u> default under the your Franchise Agreement, or any other agreement <u>between you</u> have <u>with</u> us:</p> <p>If you are in default under the Area Development Agreement, or you or any of your <u>our</u> affiliates are in default under any Franchise Agreement or other agreement. In the event of the death or permanent incapacity of an owner, we may terminate if you fail to adhere to the applicable transfer of ownership requirements. We may also terminate you if you have <u>with us.</u></p> <p>The Franchise Agreement and the Area Development Agreement contain cross-default provisions. become insolvent or file for <u>bankruptcy.</u></p>
<p><u>g.</u> “Cause” defined – curable defaults</p>	<p>Section 14.C— Franchise Agreement Section 5—Area Development Agreement Sections 13.3., 13.4. and 13.5</p>	<p>Most defaults are curable and you will have thirty (30) days to cure. You have 10 days to cure non-payment of fees, 30 days to cure non-compliance with laws, failure of quality assurance inspection, and defaults not listed in Section 13.2. You have six months to transfer the interest of an owner in the event of death or permanent incapacity.</p>
<p><u>h.</u> “Cause” defined – non-curable defaults</p>	<p>Section 14.ASections 13.1. and 14.B —Franchise Agreement Section 5—Area Development Agreement 13.2.</p>	<p>You are file for bankruptcy, are liquidated or dissolved; fail to construct studio according to plans; fail to operate the business for seven (7) consecutive days, abandon the business, lose the right to do business, or lose the right of possession of the premises where the studio is located; unapproved transfers; you or any of your owners engage in fraudulent conduct or are convicted of, or plead guilty or no contest to, certain crimes; three (3) notices of material breaches within twelve (12) months; you maintain false books or records or submit any false or misleading application, statement or report to us; you misuse our Marks or materially impair the value of, or the goodwill associated with, our Marks or the System; and other stated non-curable defaults.</p> <p>Similar reasons as for Franchise Agreement, you fail to meet your development obligations in the Development Schedule, or we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions. <u>Non curable defaults include: bankruptcy, foreclosure, insolvency, conviction of a felony, abandonment, unapproved transfers, repeated defaults (even if cured), misrepresentations in acquiring your license, health or safety violations, knowingly understating your Gross Revenues, knowingly maintaining false books or records,</u></p>

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS Summary</u>
		<u>trademark misuse, failure to successfully complete training, failure to open a site by the Control Date, abandonment of the Studio, failure to maintain the right to operate the Studio, violation of confidentiality and/or non-competition covenants, offering unauthorized products or services, purchases from unapproved suppliers, fail to pass two or more quality assurance/health inspections and or participate in any advertising or marketing program within any rolling 12-month period.</u>
i. Your <u>Franchisee's</u> obligations on termination/ non-renewal <u>nonrenewal</u>	Sections 9.W, 15 and 16.B— <u>Franchise Agreement</u> Section 6— <u>Area Development Agreement Article 14</u>	Stop operating the studio; stop using our names and Marks; stop using and return information to us; assign to us or cancel certain registrations, listings, telephone numbers, websites, and domain names; vacate the Nail Studio premises if we exercise our rights under the Collateral Assignment of Lease; de-identify the Nail Studio premises to distinguish it from the System; and pay all amounts you owe us plus liquidated damages (subject to state law). You must refrain from disparaging us and the System. <u>You lose all remaining rights to develop Nail Studios. You must cease use of our trademarks, de-identify, pay all amounts due to us, and return the Manuals to us. We may, at our option, assume all telephone numbers, telephone listings, and telephone directory advertisements for the Studio. We may, at our option, assume your lease and purchase certain Studio assets. You must, at our option, cancel or assign to us your rights to any Internet websites or web pages or e-mail addresses which contain our Proprietary Marks. (See also "r" below.)</u>
j. — <u>Assignment of contract by us—franchisor</u>	Section 13.A— <u>Franchise Agreement</u> Section 7.A— <u>Area Development Agreement 12.1.</u>	There are no restrictions on our right to assign.
k. "Transfer" by you— <u>defined franchisee — definition</u>	Section 13.B— <u>Franchise Agreement</u> Section 7.B— <u>Area Development Agreement Sections 12.2., 12.3., and 12.4.</u>	<u>Includes transfer of contract the franchise or business, or transfer of majority control of the Franchise Agreement or change in ownership of the business.</u> <u>You do not have the right to assign this Agreement. entity which owns it.</u>
l. Our <u>Franchisor's</u> approval of transfer by	Section 13.B— <u>Franchise</u>	We have the right to approve all transfers but will not withhold our consent if all of the requirements for the transfer are met.

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS-Summary</u>
franchisee	Agreement Section 7.B— Area Development Agreement 12.4.	We have the right to approve, but you may not transfer only a portion of your rights. <u>Transfers require our prior written consent, which will not be unreasonably withheld.</u>
m. Our franchisor’s approval of transfer	Section 13.B— Franchise Agreement Section 7.B— Area Development Agreement 12.4.	Transferee must meet our requirements and sign a new franchise agreement on our then-current form for the remaining term of your agreement. (The new agreement may provide for different fees or territory than in your agreement, but we will not require the transferee to pay us a new initial franchise fee.) You must also pay a transfer fee and sign a release You must sign franchise agreements for all remaining studios you are permitted to develop, and you must transfer those agreements to the same person or entity to whom you are transferring the Area Development Agreement. Subject to applicable state law, <u>You must notify the Franchisor of your Intent to Sell and complete the Intent to Sell paperwork reflecting financial obligations related to a transfer or sale. You must be in compliance with the Franchise Agreement and all other agreements with us or our affiliates; sign a general release; pay the transfer fee; and all of your monetary obligations to us, our affiliates, and your suppliers must be satisfied on or before the date of transfer. The new franchise owner must: meet our current qualifications; complete training; assume your obligations under the Franchise Agreement or, at our option, sign a new franchise Agreement in our then-current form (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement, unless additional terms are purchased by transferee, not to exceed a total transferred initial term of 10 years); at our election, refurbish the Studio; sign a guaranty and a general release; pay transfer fee; and, if applicable, the Extended Term Fee. Additional requirements apply to business entities. (See also “r” below.)</u>
n. Our Franchisor’s right of first refusal to acquire your franchisee’s business	Section 48— Franchise Agreement 12.8.	We have the right to <u>can</u> match any offer for your business.
e.-o. Franchisor’s option to purchase franchisee’s business	Section 14.4.	Our option to purchase your business. <u>Upon expiration or termination of your Franchise Agreement, we have the option to purchase some or all of your equipment, furnishings and fixtures at their then-current fair market value which will be determined by a qualified independent third party of our choosing.</u>

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS Summary</u>
Your death. <u>Death or disability of franchisee</u>	Section 13.B Franchise Agreement Section 7.B Area Development Agreement 12.9.	Your heirs can assume your rights, but if they do, they must meet the transfer requirements. Same requirements as for transfer in “m” above, except there is no transfer fee and we do not have a right of first refusal. If your interest is not transferred within six months following your (or a major member, partner or shareholder’s) death or legal incapacity, your Franchise Agreement may be terminated.
<u>q. Non-competition covenants during the term of the franchise</u>	Sections 9.W and 16.A Franchise Agreement Section 8 Area Development Agreement 15.1.	No involvement in any studio that offers nail care services (including as creditor or landlord), wherever located; you must refrain from disparaging us and the System. Neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any business that offers or provides hand, foot and/or nail care services or related products and services at any location within the U.S., its territories or commonwealths, or any other country, province, state or geographic area in which we or our affiliates have used, sought registration of or registered the Proprietary Marks or similar marks or operate or license others to operate a business under the Proprietary Marks or similar marks; no diversion of any present or prospective customer of ours to a competitor. Non-competition provisions are subject to state law.
<u>r. Non-competition covenants after the franchise is terminated or expires</u>	Sections 9.W and 16.B Franchise Agreement Section 8 Area Development Agreement 15.2.	No involvement in any studio that offers nail care services (including as creditor or landlord) for 2 years in your protected territory or within a 10-mile radius of any FRENCHIES studio. You must refrain from disparaging us and the System. Neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in any business that offers or provides hand, foot and/or nail care services or related products and services at your former Studio location, or within a 20-mile radius of your former Studio, or within a 20-mile radius of any other FRENCHIES® Studio location for a period of two years following expiration, termination or transfer. Non-competition provisions are subject to state law.
<u>s. Modification of the agreement</u>	Sections 8.H, 18.1, and 19.K Franchise Agreement Section 8 Area Development Agreement 18.2.	No modifications without consent. Must be in writing and signed by all parties, but our manuals are subject to change. No modifications without consent of all parties.

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS Summary</u>
t. Integration/merger clause	Sections 19.E 18.1, and 19.K Franchise Agreement Section 8 Area Development Agreement 18.2 .	Only the terms of the Franchise Agreement, Area Development Agreement , and other <u>related</u> written agreements are binding (subject to applicable state law). Any representations or promises outside of this Disclosure Document <u>the franchise disclosure document</u> and the Franchise Agreement <u>Area Development Agreement</u> may not be enforceable. <u>Nothing in the Franchise Agreement or any other related written agreement is intended to disclaim representations made in the franchise disclosure document.</u>
u. Dispute resolution by arbitration or mediation	Section 17 Franchise Agreement Section 8 Area Development Agreement <u>Sections 19.2, 19.3 and 19.4</u>	Except for certain disputes, all disputes must be mediated, and if not settled by mediation, are then subject to arbitration, subject to applicable state law. You must first bring any claim or dispute between you and us to our CEO or President and provide us with 30 days' notice and opportunity to cure. At our option, all claims, controversies, or disputes from or relating to the Franchise Agreement must be mediated, except for claims for any federally protected intellectual property rights in the Proprietary Marks, the System, any Confidential Information; collection actions or actions seeking injunctive or extraordinary relief. Disputes, other than those for claims, will be resolved by arbitration.
v. Choice of forum	Section 17.B, 17.C and 17.E Franchise Agreement Section 8 Area Development Agreement <u>Sections 19.2, 19.3 and 19.11</u>	Mediation located in the city and state of our then current principal office. Arbitration in Denver, Colorado. Any litigation must be brought in the United States District Court for the District of Colorado or the Denver District Court, Colorado, except as provided in state-specific addendum. Subject to applicable state law. Mediation and arbitration at the AAA offices in the city in which we maintain our principal place of business at the time the mediation or arbitration is initiated. Subject to mediation and arbitration provision, any actions arising out of or related to the Franchise Agreement must be initiated and litigated to conclusion exclusively in the state or federal court closest to where we maintain its principal business offices at the time of filing, currently Tarrant County, Texas (unless settled by the parties after such action is initiated). We may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief. (subject to applicable state law).
w. Choice of law	Section 19.D	Subject to applicable state law, Colorado law generally applies.

<u>Provision</u>	<u>PROVISION Section in Franchise or Other Agreements</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENTS-Summary</u>
	Franchise Agreement Section 8—Area Development Agreement <u>1.</u>	<u>Subject to applicable state law, the Franchise Agreement is to be interpreted and construed under Texas law (without giving effect to any conflict of law) except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently.</u>

Development Agreement

<u>Provision</u>	<u>Section in Development Agreement</u>	<u>Summary</u>
<u>a. Length of the franchise term</u>	<u>Section 6.1</u>	<u>The term begins on the effective date and ends on the earlier of the date you open the last Studio you are required to open under your Development Schedule or the expiration of your Development Schedule.</u>
<u>b. Renewal or extension of the term</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>c. Requirements for franchisee to renew or extend</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>d. Termination by franchisee</u>	<u>Not Applicable</u>	<u>Franchisees may terminate the agreements under any grounds permitted by state law.</u>
<u>e. Termination by franchisor without cause</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>f. Termination by franchisor with cause</u>	<u>Section 6.2</u>	<u>We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart.</u>
<u>g. “Cause” defined – curable defaults</u>	<u>Section 6.2</u>	<u>We may terminate the Development Agreement if you fail to meet your development obligations under the Development Agreement during the Development Period (including any monetary default) and you fail to cure such default within 30 days of receiving notice.</u>
<u>h. “Cause” defined – non-curable defaults</u>	<u>Section 6.2</u>	<u>We may terminate the Development Agreement if you cease to actively engage in development activities in the Site Selection Area or otherwise abandon your development business for three consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Studios within the Site Selection Area; you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against the you, under any insolvency, bankruptcy or reorganization act, or if you make</u>

<u>Provision</u>	<u>Section in Development Agreement</u>	<u>Summary</u>
		<u>an assignment for the benefit of creditors or a receiver is appointed by you; and any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.</u>
<u>i. Developer's obligations on termination/nonrenewal</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>j. Assignment of contract by franchisor</u>	<u>Section 8</u>	<u>We have the right to transfer or assign the Development Agreement and all or any part of our rights, duties or obligations to any person or legal entity without your consent.</u>
<u>k. "Transfer" by developer – definition</u>	<u>Section 8</u>	<u>Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.</u>
<u>l. Developer's approval of transfer by developer</u>	<u>Section 8</u>	<u>You may not transfer any rights or obligations under the Development Agreement without our prior written consent.</u>
<u>m. Conditions for franchisor's approval of transfer</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>n. Franchisor's right of first refusal to acquire developer's business</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>o. Franchisor's option to purchase developer's business</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>p. Death or disability of developer</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>q. Non-competition covenants during the term of the franchise</u>	<u>Not Applicable</u>	<u>Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.</u>
<u>r. Non-competition covenants after the franchise is terminated or expires</u>	<u>Not Applicable</u>	<u>Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.</u>
<u>s. Modification of the agreement</u>	<u>Section 27</u>	<u>Your Development Agreement may not be modified, except by a writing signed by both parties.</u>
<u>t. Integration/merger clause</u>	<u>Section 27</u>	<u>Only the terms of the Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure</u>

<u>Provision</u>	<u>Section in Development Agreement</u>	<u>Summary</u>
		<u>Document and the Development Agreement may not be enforceable. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.</u>
<u>u. Dispute resolution by arbitration or mediation</u>	<u>Sections 12 and 13</u>	<u>You must first bring any claim or dispute between you and us to our CEO or President and provide us with 30 days' notice and opportunity to cure. At our option, all claims, controversies, or disputes from or relating to the Development Agreement must be mediated, except for claims for any federally protected intellectual property rights in the Proprietary Marks, the System, any Confidential Information; collection actions or actions seeking injunctive or extraordinary relief. Disputes, other than those for claims, will be resolved by arbitration.</u>
<u>v. Choice of forum</u>	<u>Section 15</u>	<u>Mediation and arbitration at the AAA offices in the city in which we maintain our principal place of business at the time the mediation or arbitration is initiated. Subject to mediation and arbitration provision, any actions arising out of or related to the Development Agreement must be initiated and litigated to conclusion exclusively in the state or federal court closest to where we maintain its principal business offices at the time of filing, currently Tarrant County, Texas (unless settled by the parties after such action is initiated). We may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief. (subject to applicable state law).</u>
<u>w. Choice of law</u>	<u>Section 11</u>	<u>Subject to applicable state law, the Development Agreement is to be interpreted and construed under Texas law (without giving effect to any conflict of law) except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently.</u>

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE ~~REPRESENTATION~~ 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 Franchise Disclosure Document. Financial performance information that differs from ~~the information that~~ included in Item 19 may be given only if: (1) ~~the~~ franchisor provides the actual records of an existing outlet you are considering buying; or (2) ~~the~~ franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

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

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~~We provide prospective franchisees with certain information regarding actual historical annual gross revenues related to the operation of franchised Frenchies Nail Studios in the calendar year 2023. We also provide an actual profit and loss statement for our corporate-owned Frenchies Nail Studio in calendar year 2023.~~

~~Information related to the actual historical monthly gross revenues from the operation Frenchies franchised Nail Studios is presented for the 22 franchised Nail Studios that were open and operating for a full calendar year as of December 31, 2023. Excluded from this information is one Frenchies Nail Studio that opened during calendar year 2023. No other locations were excluded in the data presented. The Frenchies Nail Studios reported offer substantially the same products and services as you will as a franchisee operating a Frenchies Nail Studio.~~

~~Gross Revenues includes all revenue generated by the Nail Studios. This is the same definition we use for calculation of Royalty Fees and in other items of this Disclosure Document.~~

ACTUAL HISTORIC ANNUAL GROSS REVENUES OF FRANCHISED NAIL STUDIOS IN CALENDAR YEAR 2023

~~The following statement of actual historic annual gross revenues includes information on all franchised Frenchies Nail Studios that were open and operating for 12 months or more as of December 31, 2023, and which operated for all of calendar year 2023.~~

~~The charts below depict actual gross revenues received by each applicable franchised Frenchies Nail Studio during calendar year 2023. Each Frenchies Nail Studio is listed by the date which it opened.~~

Table 1 – Revenue Comparison by Quartile

~~The following group of tables includes representations from 24 locations by quartile and includes all locations that operated for the entire 2024 calendar year (the “Measurement Period”). Affiliate locations are indicated by an asterisk.~~

STUDIO NUMBER

OPENING DATE

	1	5/19/2016	\$563,278
	2	6/1/2016	\$667,977
	3	11/10/2018	\$317,235
	4	12/1/2018	\$538,347
	5	12/15/2018	\$500,660
	6	6/8/2019	\$728,326
	7	6/14/2019	\$488,980
	8	7/10/2019	\$480,122
	9	8/23/2019	\$534,344
	10	9/6/2019	\$350,356
	11		\$576,996
	12	12/13/2019	\$937,284
	13	12/20/2019	\$624,874
	14		\$771,069
	15	2/28/2020	\$592,202
	16	5/19/2020	\$429,544
	17	6/8/2020	\$678,926
	18	10/19/2020	\$295,437
	19	10/20/2020	\$351,444
	20	12/7/2020	\$388,910
	21	2/20/2021	\$350,062
	22	4/11/2022	\$308,428

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**ACTUAL PERFORMANCE OF CORPORATE-OWNED NAIL STUDIO IN
CALENDAR YEAR 2023**

The following chart contains an actual profit and loss statement from 2023 for our one affiliate-owned Nail Studio in Littleton, Colorado, that we consider corporate-owned. We do not own any other affiliate-owned or corporate-owned Nail Studios. This location opened in February 2014, and the information for 2023 reflects its ninth full year of operation.

	2023 ACTUALS¹	PERCENTAGE OF GROSS REVENUES
--	---------------------------------	-------------------------------------

GROSS REVENUE FROM SERVICES - COMPARISON - QUARTILE 1					56% REVENUE COMPARISON - QUARTILE 2				
GROSS REVENUE FROM MEMBERSHIPS Studio	\$194,978 State	32% Stations	Open Date	Total Revenue	Studio	State	Stations	Open Date	Total Revenue
Studio 1	TX	17	12/13/2019	\$994,462	Studio 1	GA	16	8/23/2019	\$634,203
Studio 2	FL	16	6/18/2019	\$789,735	Studio 2	OR	16	12/20/2019	\$629,967
GROSS REVENUE FROM RETAIL - Studio 3	\$36,773 CA	17	6%/18/2020	\$730,480	Studio 3	MN	16	6/1/2016	\$622,439
GROSS REVENUE FROM GIFT CARDS - Studio 4	\$40,137 PA	16	11/8/2019	\$708,597	Studio 4	CO	17	7%/10/2019	\$591,985
TOTAL GROSS REVENUE - Studio 5	\$617,476 CO	100% 16	1/24/2020	\$700,341	Studio 5*	CO	12	2/14/2014	\$582,770
Studio 6	GA	16	2/28/2020	\$651,737	Studio 6	TX	16	5/19/2020	\$549,515
AVERAGE TICKET - AVERAGE \$762,559					- AVERAGE \$601,813				

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ANNUAL TICKETS	7,685	-
TOTAL # DAYS OPEN	317	-
NON-DISCRETIONARY EXPENSES²		
PAYROLL ³	\$221,062	36%
SALON SUPPLIES ⁴	-\$41,681	7%
COST OF GOODS	-\$11,105	2%
RENT & UTILITIES ⁵	-\$42,412	7%
ROYALTY FEE ⁶	-\$33,961	5.5%
MARKETING FUND CONTRIBUTION	-\$12,350	2.0%
LOCAL ADVERTISING	-\$39,268	6%
CREDIT CARD FEES AND BANK CHARGES	-\$18,984	3%
INSURANCE	-\$5,841	1%
TECHNOLOGY FEE ⁷	-\$5,268	1%
MISCELLANEOUS ⁸	-\$12,000	2%
NET PROFIT		
	\$173,544	28.1%

REVENUE COMPARISON - QUARTILE 3				
Studio	State	Stations	Open Date	Total Revenue
Studio 1	GA	22	12/1/2018	\$536,611
Studio 2	MO	16	12/15/2018	\$525,933
Studio 3	OH	16	6/14/2019	\$461,447
Studio 4	TX	16	4/11/2022	\$418,641
Studio 5	CO	16	11/10/2018	\$412,008
Studio 6	TX	16	11/16/2020	\$402,554
AVERAGE				\$459,532

REVENUE COMPARISON - QUARTILE 4				
Studio	State	Stations	Open Date	Total Revenue
Studio 1	NC	16	12/7/2020	\$397,405
Studio 2	MN	16	5/19/2016	\$384,952
Studio 3	NC	16	10/19/2020	\$367,587
Studio 4	TN	17	2/20/2021	\$356,256
Studio 5	CO	16	9/6/2019	\$340,758
Studio 6	CO	16	5/15/2023	\$322,507
AVERAGE				\$361,577

Notes

- These expenses are based on actual expenses reported by our affiliate-owned Nail Studio.
- The financial performance figures and expenses above are actual historical information regarding our affiliate-owned location in Littleton, Colorado, which we refer to as corporate-owned for the purposes of this disclosure. The information for 2023 reflects its ninth full year of operation. You should conduct an independent investigation of revenue, costs, and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in Exhibit E to this Disclosure Document may be one source of this information.

- ~~3. The payroll expense does not include salary for the owner, and assumes the owner operates as the manager of the business. You may incur additional expense if you pay a manager to operate the business.~~
- ~~4. We adjusted this number so that it reflects 7% of our Gross Revenues, which is the average in our system.~~
- ~~5. The rent at the center above was based on approximately 1,490 square feet, and the gross rent paid was \$25.18 per square foot. Your rent can vary significantly depending on the size and location of your center. If you have a larger center, or pay more for rent, this expense could increase significantly. This amount also includes standard utilities.~~
- ~~6. The Royalty Fees are expenses you will pay under a Franchise Agreement with us, and which did not apply to our affiliate-owned Nail Studio in 2023. Thus, we have calculated what the Nail Studio would have paid and included these amounts.~~
- ~~7. Our monthly Technology Fee is currently \$439 per month.~~
- ~~8. This amount includes miscellaneous expenses, such as accounting costs, legal fees, office supplies and other expenses incurred in the operation of our affiliate-owned Studio.~~

~~Some outlets have sold this amount.~~ to Table 1:

1. Below please find the median, high and low revenue figures for each quartile displayed above, as well as comparative data from 2023:

<u>Year</u>	<u>Quartile</u>	<u>High</u>	<u>Median</u>	<u>Low</u>	<u>Average Unit Annual Sales</u>	<u>% Change From Average</u>	<u>Studios In Quartile</u>	<u>Units Above Average</u>	<u>Units Below Average</u>
<u>2023</u>	<u>1</u>	<u>\$924,839</u>	<u>\$690,091</u>	<u>\$616,271</u>	<u>\$720,318</u>		<u>6</u>	<u>3</u>	<u>3</u>
<u>2024</u>	<u>1</u>	<u>\$994,462</u>	<u>\$719,538</u>	<u>\$651,737</u>	<u>\$762,559</u>	<u>6%</u>	<u>6</u>	<u>2</u>	<u>4</u>
<u>2023</u>	<u>2</u>	<u>\$586,201</u>	<u>\$554,410</u>	<u>\$525,703</u>	<u>\$553,285</u>		<u>6</u>	<u>3</u>	<u>3</u>
<u>2024</u>	<u>2</u>	<u>\$634,203</u>	<u>\$607,212</u>	<u>\$549,515</u>	<u>\$601,813</u>	<u>8%</u>	<u>6</u>	<u>3</u>	<u>3</u>
<u>2023</u>	<u>3</u>	<u>\$495,270</u>	<u>\$430,900</u>	<u>\$367,722</u>	<u>\$429,228</u>		<u>6</u>	<u>3</u>	<u>3</u>
<u>2024</u>	<u>3</u>	<u>\$536,611</u>	<u>\$440,044</u>	<u>\$402,554</u>	<u>\$459,532</u>	<u>7%</u>	<u>6</u>	<u>3</u>	<u>3</u>
<u>2023</u>	<u>4</u>	<u>\$346,503</u>	<u>\$297,717</u>	<u>\$286,921</u>	<u>\$313,356</u>		<u>6</u>	<u>2</u>	<u>3</u>
<u>2024</u>	<u>4</u>	<u>\$397,405</u>	<u>\$361,921</u>	<u>\$322,507</u>	<u>\$361,577</u>	<u>15%</u>	<u>6</u>	<u>3</u>	<u>3</u>

Table 2 – Systemwide Revenue by Type

The table below contains revenue generated over the Measurement Period by source type. All franchised studios that operated at any point during the Measurement Period are included.

<u>Revenue Source Type</u>	<u>Revenue Generated</u>
<u>Recurring Revenue of Memberships</u>	<u>\$2,820,913.25</u>
<u>Retail Products</u>	<u>\$296,725.35</u>
<u>First Time Guests and All Other Services</u>	<u>\$9,539,740.84</u>
<u>Total Revenue</u>	<u>\$12,657,379.44</u>

Notes to Table 2:

1. “Recurring Revenue of Memberships” means only such revenue that is derived from scheduled recurring memberships.
2. “First Time Guests and All Other Services” means all revenue derived from services or our technicians, excluding Recurring Revenue of Memberships.
3. “Retail Products” means all revenue derived from the sale of our product line of goods.

Substantiation of the data used in preparing this financial performance representation will be made available to you upon reasonable request.

~~Your individual results may differ. There is no assurance that you'll sell as much.~~

~~These figures are a historical representation of the financial performance of our affiliate's outlet and certain franchisees. These figures are derived from data provided to us by our franchisees and the historical performance of our affiliate for the periods indicated, based on internal unaudited financial statements. The figures were not obtained from financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) but are believed to be reliable. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.~~

Other than the preceding financial performance ~~representations,~~ representation we do not make any ~~representations about a franchisee's future financial performance or the past financial performance of company-owned outlets~~ 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 our Scot Cannon, Brand Leader, Scot Cannon, at Frenchies, LLC, 550 Reserve Street, Suite 380, Southlake, Texas 76092, or via phone at (720) 526-2935, the Federal Trade Commission, or and the appropriate state regulatory agencies.

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ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years ~~2021-2023~~ 2022 – 2024

<u>Outlet Type</u>	<u>Year-Year</u>	<u>OUTLETS AT THE START OF THE YEAR- Outlets at the Start of the Year</u>	<u>OUTLETS AT THE END OF THE YEAR- Outlets at the End of the Year</u>	<u>NET CHANGE Net Change</u>
Franchised	2024 2022	27 21	24 22	-6 1
	2023 2022	24 22	22 23	1
	20232024	2223	23	10
Company— Owned[†]	2024 2022	1	1	0
	2022 2023	1	1	0
	20232024	1	1	0
-- Owned*	2022 2024	28 22	22 23	-6 1
	2023 2022	22 23	23 24	1
	20232024	2324	24	10

[†]The* The existing company-owned Nail Studio is owned by our affiliate, Frenchies Revolution, an entity with the same ownership as the Franchisor.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years ~~2021-2023~~ 2022 – 2024

STATE	YEAR	NUMBER OF TRANSFERS
California	2022 2024	0 1
	2022	4
	2023	0
	2024	0
Colorado	2022 2024	4 2
	2022	2
	2023	0
	2024	1
Florida	2022 2024	0 1
	2023	0

STATE	YEAR	NUMBER OF TRANSFERS
	<u>2024</u>	<u>0</u>
<u>Georgia</u>	2022	<u>+0</u>
	2023	0
	<u>2024</u>	<u>1</u>
Texas	2022 <u>2021</u>	0
	2022	<u>0</u>
	2023	1
Total	<u>2021-2024</u>	1
<u>Total</u>	2022	4
	2023	1
	<u>2024</u>	<u>3</u>

Table No. 3
Status of Franchised Outlets
For Years ~~2021-2023~~2022 - 2024

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	RE-ACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF YEAR
California	2022 <u>2021</u>	1	0	0	0	0	0	1
	2022 <u>2023</u>	1	0	0	0	0	0	1
	2023 <u>2024</u>	1	0	0	0	0	0	1
Colorado	2022 <u>2021</u>	3	<u>0</u> <u>1</u>	0	0	0	0	<u>3</u> <u>4</u>
	2022	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2023	4	1	0	0	0	0	5

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	RE-ACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF YEAR
	<u>2024</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Florida	2022 <u>2021</u>	<u>21</u>	0	<u>40</u>	0	0	0	1
	2023 <u>2022</u>	1	0	0	0	0	0	1
	2023 <u>2024</u>	1	0	0	0	0	0	1
Georgia	2022 <u>2021</u>	3	0	0	0	0	0	3
	2023 <u>2022</u>	3	0	0	0	0	0	3
	2023 <u>2024</u>	3	0	0	0	0	0	3
Kentucky	2022 <u>2021</u>	<u>21</u>	0	1	0	0	0	<u>40</u>
	2022	<u>4</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2023	0	0	0	0	0	0	0
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Minnesota	2022 <u>2021</u>	2	0	0	0	0	0	2
	2023 <u>2022</u>	2	0	0	0	0	0	2
	2023 <u>2024</u>	2	0	0	0	0	0	2
Missouri	2022 <u>2021</u>	1	0	0	0	0	0	1
	2022	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
North Carolina	2022 <u>2021</u>	2	0	0	0	0	0	2
	2023 <u>2022</u>	2	0	0	0	0	0	2
	2023 <u>2024</u>	2	0	0	0	0	0	2

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	RE-ACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF YEAR
Ohio	2022 2024	<u>21</u>	0	<u>40</u>	0	0	0	1
	2022	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Oregon	2022 2024	<u>21</u>	0	<u>40</u>	0	0	0	1
	2022	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Pennsylvania	2022 2024	1	0	0	0	0	0	1
	2022	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Tennessee	2022 2024	<u>21</u>	0	<u>40</u>	0	0	0	1
	2022	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Texas	2022 2024	<u>43</u>	<u>02</u>	1	0	0	0	<u>34</u>
	<u>2023</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	<u>2024</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<u>Utah</u>	2022	<u>30</u>	<u>20</u>	<u>40</u>	0	0	0	<u>40</u>
Total	2023	<u>40</u>	0	0	0	0	0	<u>40</u>
	2021 <u>2024</u>	<u>270</u>	<u>01</u>	<u>61</u>	0	0	0	<u>240</u>
	<u>Total</u>	2022	21	3	2	0	0	0
	2023	22	1	0	0	0	0	23

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWAL	RE-ACQUIRED BY FRANCHISOR	CEASED OPERATIONS – OTHER REASONS	OUTLETS AT END OF YEAR
	<u>2024</u>	<u>23</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>

Table No. 4
Status of Company-Owned Outlets
For Years ~~2021-2023~~ 2022 – 2024

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
Colorado	2021 2022	1	0	0	0	0	1
	2023 2022	1	0	0	0	0	1
	2023 2024	1	0	0	0	0	1
Total* Total*	2021 2022	1	0	0	0	0	1
	2023 2022	1	0	0	0	0	1
	2023 2024	1	0	0	0	0	1

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

Table No. 5
Projected Openings
asAs of December 31, ~~2023~~ 2024

STATE-State	FRANCHISE AGREEMENTS SIGNED AS OF DECEMBER 31, 2023, BUT OUTLET NOT OPENED-Franchise Agreements Signed but Outlet Not Opened	PROJECTED NEW FRANCHISED-OUTLETS IN THE NEXT FISCAL YEAR-Projected New Franchised Outlets in the Next Fiscal Year	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR-Projected New Company-Owned Outlets in the Next Fiscal Year
California	2	0 <u>1</u>	0

<u>STATE-State</u>	<u>FRANCHISE AGREEMENTS SIGNED AS OF DECEMBER 31, 2023, BUT OUTLET NOT OPENED-Franchise Agreements Signed but Outlet Not Opened</u>	<u>PROJECTED NEW FRANCHISED-OUTLETS IN THE NEXT FISCAL YEAR-Projected New Franchised Outlets in the Next Fiscal Year</u>	<u>PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR-Projected New Company-Owned Outlets in the Next Fiscal Year</u>
Colorado	3	0	0
Georgia	<u>5</u> 3	0	0
<u>Louisiana</u>	<u>0</u>	<u>1</u>	<u>0</u>
Missouri	2	0	0
North Carolina	4	<u>4</u> 0	0
<u>Ohio</u> Utah	<u>4</u> 0	<u>2</u> 1	0
<u>Total</u> Pennsylvania	<u>17</u> 0	<u>3</u> 1	0
<u>Texas</u>	<u>0</u>	<u>2</u>	<u>0</u>
<u>Totals</u>	<u>14</u>	<u>6</u>	<u>0</u>

~~A~~The list of the names ~~and addresses of~~ all our current franchisees ~~and area developers and the addresses and phone numbers of their franchises are reflected~~ is located in Exhibit E. ~~Exhibit E also contains a list of the franchisees~~ G. Any franchisee who had a Franchise Agreement terminated, canceled, has not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the our most recently completed ~~ended December 31, 2023, or who have~~ has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document is listed in Exhibit G. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. ~~We did not have any franchisees sign confidentiality clauses with us during the last three fiscal years that would prevent them from speaking openly about their experiences with us.~~

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

ITEM 21

FINANCIAL STATEMENTS

~~Attached to this Disclosure Document as~~ During the last three (3) fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the System. There are no trademark-specific organizations formed by our franchisees that are associated with the System.

ITEM 21 **FINANCIAL STATEMENTS**

~~Exhibit F-1 are the consolidated contains audited~~ financial statements ~~of for our parent's parent~~ BCC Services Holding Company, ~~our parent, for the year ending~~ and its subsidiaries for its fiscal years ended December 31, ~~2024, and December 31, 2023,~~ as well as its (i) ~~unaudited balance sheet as of August 31, 2024,~~ and (ii) ~~unaudited statement of income for the interim period beginning January 1, 2024, and ending August 31, 2024.~~ Attached to this Disclosure Document as ~~Exhibit~~ a signed Guarantee of Performance from BCC Services Holding Company. ~~Exhibit F-2 are also contains~~ our audited financial statements ~~for fiscal years ending December 31, 2020, December 31, 2021, and as of December 31, 2022.~~ Our fiscal year end is December 31. ~~Our parent, BCC Services Holding Company, has guaranteed our performance with you. A copy of the Guarantee of Performance is attached~~

ITEM 22 CONTRACTS

Attached as Exhibit B is our current form of Franchise Agreement with the following Attachments:

<u>Attachment A</u>	<u>Glossary of Additional Terms</u>
<u>Attachment B</u>	<u>The Site Selection Area, Control Date, Franchised Location, and the Protected Area</u>
<u>Attachment C</u>	<u>Entity Information</u>
<u>Attachment D-1</u>	<u>Personal Guaranty and Undertaking</u>
<u>Attachment D-2</u>	<u>Confidentiality and Non-competition Agreement</u>
<u>Attachment E</u>	<u>ACH Authorization</u>
<u>Attachment F</u>	<u>Lease Addendum</u>
<u>Attachment G</u>	<u>Telephone Number Assignment Agreement</u>

Attached as Exhibit C is our current form of Development Agreement with the following Attachments:

<u>Attachment A</u>	<u>Data Sheets</u>
<u>Attachment B</u>	<u>Personal Guaranty and Undertaking</u>

Attached as Exhibit F-3-D is our current form of General Release (Sample Form Only).

ITEM 22

CONTRACTS

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

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

~~Franchise Agreement Rider~~

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

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

~~Area Development Agreement Rider
Exhibit A: Personal Guaranty
Exhibit B: State-Specific
Addenda~~

ITEM 23

RECEIPTS

~~The last four pages of this Disclosure Document are two detachable documents acknowledging~~ Two copies of a receipt of this Disclosure Document appear as Exhibit J. Please sign both receipt pages and return one fully executed copy **Receipt** to us— and retain the other for your records.

EXHIBIT A

STATE APPENDIX TO ~~FRENCHIES, LLC~~

~~FRANCHISE~~ DISCLOSURE DOCUMENT

FRENCHIES, LLC LIST OF

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

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677 1455 Frazee Road, Suite 315 San Diego, CA 92108 One Sansome Street, Ste. 600 San Francisco, CA 94104 2101 Arena Boulevard Sacramento, CA 95834	California Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013
CONNECTICUT	State of Connecticut Department of Banking Securities and Investment Division 260 Constitution Plaza Hartford, Connecticut 06103 860.240.8230	Banking Commissioner Department of Banking Securities and Investment Division 260 Constitution Plaza Hartford, Connecticut 06103
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 805.586.2744	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, HI 96813
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, IL 62701 217.782.4465	Illinois Attorney General 500 South Second Street Springfield, IL 62701
INDIANA	Indiana Secretary of State Securities Division Franchise Section Room E-111 302 West Washington Street Indianapolis, IN 46204 317.232.6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 410.576-6360	Office of Attorney General Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
MICHIGAN	Department of Attorney General Consumer Protection Division Franchise Section G. Mennen Williams Building 525 W. Ottawa Street Lansing, MI 48909 517.373.1110	Michigan Department of Commerce Corporations, Securities & Commercial Licensing Bureau 2407 North Grand River Avenue Lansing, MI 48906
MINNESOTA	Minnesota Department of Commerce Securities Division 85 7th Place East, Suite 280 St. Paul, MN 55101 651.539.1600	Minnesota Commissioner of Commerce Department of Commerce Securities Division 85 7th Place East, Suite 280 St. Paul, MN 55101
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities 1526 K Street, #300 Lincoln, Nebraska 68508 402.471.3445	Nebraska Department of Banking and Finance P.O. Box 95006 Lincoln, Nebraska 68509
NORTH CAROLINA	Department of the Secretary of State Business Opportunities 2 South Salisbury Street Raleigh, NC 27601-2903 P.O. Box 29622 Raleigh, NC 27626-0622 (919) 814-5400	Department of the Secretary of State P.O. Box 29622 Raleigh, NC 27626
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 212.416.8222	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol — 14 th Floor Bismarek, ND 58505-0510 701.328.4712	North Dakota Securities Department 600 East Boulevard Avenue State Capitol — 14 th Floor Bismarek, ND 58505-0510
RHODE ISLAND	Department of Business Regulation Division of Securities Regulation 1511 Pontiac Avenue John O. Pastore Complex Building 69-1 Cranston, RI 02920 401.462.9500	Director of Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Center Building 69-1 Cranston, RI 02920

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS	
SOUTH DAKOTA	Division of Securities Department of Labor & Regulation 124 S. Euclid, 2 nd Floor Pierre, SD 57501 605.773.3563	Director of South Dakota Division of Securities Department of Labor & Regulation 124 S. Euclid, 2 nd Floor Pierre, SD 57501	
TEXAS	Secretary of State Statutory Documents Section 4019 Brazos Austin, Texas 78711		
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building 1300 E. Main Street, Ninth Floor Richmond, VA 23219 804.371.9054	Clerk of the State Corporation Commission 1300 E. Main Street, First Floor Richmond, VA 23219	
WASHINGTON	Washington Department of Financial Institutions Securities Division PO Box 41200 Olympia, WA 98504 1200	Washington Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 360.902.8700	
WISCONSIN	Department of Financial Institutions Division of Securities 201 West Washington Avenue, Suite 300 Madison, WI 53703 608.266.1064	Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705	

~~EXHIBIT B~~

~~FRENCHIES, LLC~~

~~FRANCHISE APPENDIX TO DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS~~

EXHIBIT C

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

**~~AREA DEVELOPMENT AGREEMENT, GUARANTY, AND FOR THE STATE-SPECIFIC~~
~~ADDENDA~~**

~~EXHIBIT D~~

~~FRENCHIES, LLC~~

~~FRANCHISE DISCLOSURE DOCUMENT~~

~~TABLE OF CONTENTS OF OPERATIONS
MANUAL~~

EXHIBIT E
FRENCHIES, LLC
FRANCHISE DISCLOSURE DOCUMENT
LIST OF FRANCHISED LOCATIONS

As of December 31, 2023

FRANCHISEE	ADDRESS	CITY	STATE	ZIP CODE	PHONE NUMBER
Feel Good Beauty, Inc.	1583 Spinnaker Drive, #105	Ventura	CA	93001	(805) 200-3883
Den Fren CS, LLC	8776 N Union Blvd	Colorado Springs	CO	80920	(303) 915-7388
NOCO Clean Nails, LLC	2720 Council Tree Ave, Suite 400	Fort Collins	CO	80525	(970) 286-2175
Den Fren HR, LLC	2670 E County Line Road, Suite G	Highlands Ranch	CO	80126	(505) 620-7606
Den Fren LT, LLC	10008 Commons Street, #108	Lone Tree	CO	80124	(505) 550-8062
Shearer Holdings, LLC⁺	7345 E 128th Ave	Thornton	CO	80602	(303) 550-8283
Party of Seven Holdings, LLC	317 W Palm Ave, #105A	Tampa	FL	33602	(347) 782-5355
Georgia Dogwoods, Inc.⁺	843 Prince Avenue	Athens	GA	30606	(706) 395-8805

FRANCHISEE	ADDRESS	CITY	STATE	ZIP CODE	PHONE NUMBER
RVEP Corporation	2620 Old Winder Highway	Braselton	GA	30517	(470) 878-2700
Forever Strong, LLC⁺	5350 United Dr, Suite 103	Smyrna	GA	30082	(404) 946-8639
t-Winning, LLC	40730 Holyoke Avenue, #164	Lakeville	MN	55044	(952) 683-9393
RPM Enterprises	7774 Hargis Parkway, #116	Woodbury	MN	55129	(651) 788-7002
Rodriguez Network Corp⁺	3027 State Highway K	O'Fallon	MO	63368	(636) 294-9600
Palmer Family Enterprises, LLC⁺	2810 South Blvd, Suite E	Charlotte	NC	28209	(704) 499-5352
McLure Enterprises, Inc.	3473 Burke Mill Rd	Winston-Salem	NC	27103	(336) 817-9144
Dillinger Capital 2, LLC	8008 Washington Village Drive, #13	Washington Township	OH	45458	(937) 620-2955
MAIAN, LLC	3925 SW Rose Biggi Ave	Beaverton	OR	97005	(971) 678-6907
Dillinger Capital, Inc.	1720 Washington Road	Pittsburgh	PA	15241	(213) 841-5071
Cool Springs Beauty Co., LLC	790 Jordan Rd, Suite 112	Franklin	TN	37067	(734) 558-6791

FRANCHISEE	ADDRESS	CITY	STATE	ZIP CODE	PHONE NUMBER
Life Endeavors, Inc.	3100 South Ranch Road 620, Ste 400	Lakeway	TX	78734	(512) 431-5943
Euphoria Enterprise LLC	2180 TX 46, Suite 102	New Braunfels	TX	78132	(956) 862-2080
Evaleon USA, LLC	523 Med Court, Suite 102	San Antonio	TX	78258	(210) 540-0079
CMMD Management, LLC	1560 E Southlake Blvd, Suite 110	Southlake	TX	76092	(702) 353-7470

~~*This franchisee has also signed an area development agreement with us.~~

**FRANCHISEES WITH SIGNED FRANCHISE AGREEMENTS THAT
HAD NOT YET OPENED**

As of December 31, 2023

FRANCHISEE	CITY	STATE	PHONE NUMBER
Feel Good Beauty, Inc.	Santa Barbara	CA	(805) 804-7813
Feel Good Beauty, Inc.	Santa Barbara	CA	(805) 804-7813
NOCO Clean Nails, LLC	Broomfield	CO	(720) 261-1980
Shearer Holdings, LLC	Erie	CO	(320) 232-9006
NOCO Clean Nails, LLC	Leyden	CO	(720) 261-1980
Forever Strong, LLC	Buckhead	GA	(404) 644-5242
RVEP Corporation	Gainesville	GA	(678) 617-8058
Georgia Dogwoods, Inc.	Johns Creek	GA	(706) 255-9842
Georgia Dogwoods, Inc.	Johns Creek	GA	(706) 255-9842
Forever Strong, LLC	Kennesaw	GA	(404) 644-5242
Rodriguez Network Corp	Chesterfield	MO	(314) 604-4806
Rodriguez Network Corp	St. Louis	MO	(314) 604-4806
Palmer Family Enterprises, LLC	Charlotte	NC	(704) 953-6990
Palmer Family Enterprises, LLC	Charlotte	NC	(704) 953-6990
Palmer Family Enterprises, LLC	Harrisburg	NC	(704) 953-6990
Palmer Family Enterprises, LLC	Huntersville	NC	(704) 953-6990
M & T Assets, Inc.	Riverton	UT	(801) 898-7687

~~LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM IN THE 2023 FISCAL YEAR~~

FRANCHISEE	LOCATION	PHONE NUMBER	REASON FOR EXITING
Parker and Vicky Towery	New Braunfels, TX	(512) 584-6148	Transferred

~~EXHIBIT F~~

~~FRENCHES, LLC~~

~~FRANCHISE DISCLOSURE DOCUMENT~~

EXHIBIT F-1

FINANCIAL STATEMENTS OF BCC SERVICES HOLDING COMPANY

EXHIBIT F-2

~~FINANCIAL STATEMENTS OF FRENCHES, LLC~~

EXHIBIT F-3

GUARANTEE OF PERFORMANCE

~~EXHIBIT G~~

~~FRENCHIES, LLC~~

~~FRANCHISE DISCLOSURE DOCUMENT~~

~~STATE SPECIFIC ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT~~

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

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

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

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

~~2. Section 31125 of the The California Corporations Code, Section 31125, requires us to that we give you a disclosure document in a form containing the information that the commissioner may, approved by rule or order require before at the Department of Financial Protection and Innovation, prior to solicitation of a proposed material modification of an existing franchise- your Franchise Agreement.~~

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

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

~~“Neither Frenchies the franchisor nor any person described identified in Item 2 of the FDD Disclosure Document is subject to any currently current effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A., 78a et. seq., suspending or expelling such persons from membership in such association or exchange.”~~

~~4. Item 6 is amended by adding the following to the Remarks in the “Interest on Late Payments” section:~~

~~The maximum allowable interest rate in California is 10% per annum.~~

~~5. Item 17 of the FDD and corresponding provisions in the Franchise Agreement and Area Development Agreement are amended by the insertion of Disclosure Document is supplemented by the following:~~

~~The regulations of the California Department of Financial Protection and Innovation require that the following information concerning provisions of the franchise agreement be disclosed to you:~~

~~The California Franchise Relations Act California Business and Professions Code, Section 20000 through 20043 provides rights to you the franchisee concerning termination, transfer or non-renewal nonrenewal of a franchise. If the franchise agreement Franchise Agreement contains a provision that is inconsistent with California the law, California the law will control.~~

~~The franchise agreement provides for termination upon bankruptcy. You must sign a release if you renew or transfer your franchise. California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).~~

~~The Franchise Agreement contains covenants not to compete that extend beyond expiration or termination of the agreement. This provision may not be enforceable under federal bankruptcy law, 11 U.S.C.A. §§ 101, et seq. California law.~~

~~The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise agreement. The Franchise Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.~~

~~The franchise agreement requires the application of the laws of Colorado. This provision may be unenforceable under California law.~~

~~The franchise agreement contains a waiver of punitive damages and a jury trial. These provisions may not be enforceable under California law.~~

~~The franchise agreement~~The Franchise Agreement requires binding ~~mediation or~~ arbitration. ~~The mediation or arbitration will occur in the city closest to our county where Franchisor maintains its principal executive office. These provisions may not be enforceable under California law. You~~business address at the time of arbitration and each party to the arbitration is responsible for their own costs and expenses of arbitration, including legal and filing fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws to (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the franchise agreement restricting venue to a forum outside the State of California.

~~The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).~~

~~The Franchise Agreement provides for a prohibition on the solicitation of employment of employees from other franchised locations. This provision may not be enforceable under California Law.~~

Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

The indemnification provision in the Franchise Agreement may not be fully enforceable as to punitive damages under California law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This

provision supersedes any other term of any document executed in connection with the franchise. ~~franchise agreement requires~~

~~The Franchise Agreement and Development Agreement contain a provision requiring you to sign a general release of claims upon renewal or transfer of the franchise agreement. waive your right to punitive or exemplary damages against the Franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code §section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. California Corporations Code § 31512 voids a waiver of your rights, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law. California Business and Professions Code § 20010 voids a waiver of your rights under the California Franchise Relations Act.~~

~~6. Section 21 of the Franchise Agreement, “Acknowledgments,” is hereby deleted in its entirety.~~

~~7. 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.~~

~~8. OUR WEBSITE CAN BE FOUND AT WWW.FRENCHIESNAILS.COM www.frenchiesnails.com. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF ~~THE~~THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION ~~at WWW.DFPI.CA.GOV~~. AT www.dfpi.ca.gov.~~

~~9. THE FRANCHISE HAS BEEN/WILL BE REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.~~

10. Fee Deferral. The Department has determined that we, the Franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California Franchisees until we have completed all of our pre-opening obligations and you are open for business. For California Franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED
BY THE STATE OF HAWAII~~

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

FOR THE STATE OF HAWAII

Cover Page, Additional Disclosure:

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 ~~REGULATORY AGENCIES~~ COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF ~~REGULATORY AGENCIES~~ 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 OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR 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.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

The State of Hawaii has required a financial assurance. Therefore, a deferral of the payment of the initial franchise fee and any other initial payments made by the franchisee to the franchisor will be required until all of the pre-opening obligations of the franchisor have been satisfied and the franchise has opened for business. If more than one location is contemplated through an area development agreement, then the total amount to be collected will be prorated and collected by the franchisor as each ~~store~~ studio is opened under the development agreement.

Franchise Disclosure Document, Additional Disclosure:

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. ~~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.~~

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED~~

~~BY~~

~~FOR THE STATE OF ILLINOIS~~

~~Illinois law governs the Franchise Agreement.~~

~~In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.~~

~~Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.~~

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

~~Illinois law governs the Franchise Agreement.~~

~~In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.~~

~~Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.~~

In conformance with ~~section 4~~section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or ~~acknowledgment~~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~~behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates. By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.~~

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES~~
~~FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY~~
~~THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW~~

~~Notwithstanding anything to the contrary in the Frenchies, LLC d/b/a Frenchies Franchise Disclosure Document, Franchise Agreement, or Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the State of Maryland.~~

FOR THE STATE OF INDIANA

~~1. — 1. Item 17 of the Franchise Disclosure Document is amended as follows:~~

~~“Termination for bankruptcy filing may not be enforceable under the United States Bankruptcy Act, but we intend to enforce it to the extent enforceable.”~~

~~2. — Items 17(e) and 17(m), Additional Disclosures. The following statements are revised to provide that, under COMAR 02.02.08.16L, the general release required as a condition to renewal, sale or consent to assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.~~

~~3. added to Item 17(v) and (w) are modified by the insertion of the following:~~

~~“The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) in general governs the relationship between the franchisor and the franchisee by forbidding certain provisions in the Franchise Agreement and related documents and by preventing the franchisor from engaging in certain acts and practices which could be considered coercive or oppressive to the master licensee. If any of the provisions of the Franchise Agreement conflict with this law, this law will control.~~

~~Any Franchisee provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement or transfer, does not release any claim you may sue in Maryland have under the Indiana Deceptive Franchise Practices Law.~~

~~The Franchise Agreement provides that suit may be brought in Texas . These provisions may not be enforceable under Indiana law.~~

~~Indiana franchise laws will govern the Franchise Agreement and any and all other related documents.~~

~~Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.~~

FOR THE STATE OF MARYLAND

~~1. Item 11. Additional Disclosures. The following statements are added to Item 11.~~

~~Within 90 days of the end of each fiscal year, you may request an accounting of advertising~~

expenditures for ~~claims arising~~ the preceding fiscal year.

2. Item 17, Additional Disclosures. The following statements are added to Item 17:

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.²².

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

~~5.1. 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.~~

~~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.~~

Each provision of this Addendum to A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Document Law.

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.

7. Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute. without reference to these Additional Disclosures.

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.

**ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED**

FOR THE STATE OF MINNESOTA

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

~~Item 5~~

~~The State of Minnesota has required a financial assurance. Therefore, Franchisor has agreed to defer all initial fees owed by Franchisee to Franchisor until Franchisor has fulfilled all pre-opening obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement. The State of Minnesota imposed this deferral requirement due to our financial condition. You may contact the state agency listed in Exhibit A for more information.~~

~~Item 13~~

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

~~Item 17~~

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

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

~~Minn. Stat. § 80C.21 and Minn.-1. Other Fees. The following statement is added to Item 6:~~

~~Minnesota Statute 604.113 limits the charge for Nonpayment Due to “Insufficient Funds” to \$30.~~

~~2. Trademarks. The following statement is added to Item 13:~~

~~Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we~~

will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of the Franchise Agreement and the System.

3. Choice of Forum and Law/Jury Trial. The following statement is added to Item 17:

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

4. General Release. The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

5. Notice of Termination/Transfer. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

7. Injunctive Relief. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rules 2860.4400J.

8. Limitations of Claims. Notwithstanding anything to the contrary in this disclosure document, to the extent that a claim is subject to Minnesota Statutes, Section 80C.15 Subd. 5, the statute shall control.

9. 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.

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

~~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 franchisee.~~

~~Each~~The provision of this Addendum to the Franchise Additional Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act franchise statutes are met independently, without reference to ~~this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute. these~~

Additional Disclosures.

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.

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED~~

~~BY~~

~~FOR THE STATE OF NEW YORK~~

~~1.~~ 1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING ~~FRANCHISORS~~FRANCHISOR IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT AH 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 THAT 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 CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

~~A.~~ 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.~~ 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.~~ 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.~~ 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 ~~Rev. March 17, 2021 2~~ 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.~~ 3. The following is added to the end of the “Summary” ~~section~~section of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

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

- ~~6. 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. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the State of New York and General Business Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.~~

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY
FOR THE STATE OF NORTH DAKOTA~~

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

Item 17.

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

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

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

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

~~Covenants not to compete such as those mentioned in Item 17 of the Franchise Disclosure Document, Section 16 of the Franchise Agreement, and Section 13 of the Area Development Agreement are generally considered unenforceable in the State of North Dakota.~~

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

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

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

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

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

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

Based upon the franchisor's financial condition, the North Dakota Securities Department 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.

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.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY
FOR THE STATE OF RHODE ISLAND FRANCHISE INVESTMENT ACT~~

~~Notwithstanding anything to the contrary in the Frenchies, LLC d/b/a Frenchies Franchise Disclosure Document, Franchise Agreement, or Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the State of Rhode Island.~~

~~This 1. Item 17, Additional Disclosure. The following statement is added to Item 17:~~

~~Section Rhode Island Addendum is only applicable if you are a resident of Rhode Island or if your business will be located in Rhode Island.~~

~~§19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement~~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.”~~

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.

~~Each~~

~~The provision of this Addendum to the Franchise~~Additional ~~Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act~~Law ~~are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute. these Additional Disclosures.~~

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY
FOR THE COMMONWEALTH OF VIRGINIA RETAIL FRANCHISING ACT~~

1. Item 7 is supplemented by the following:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$384,797 to \$719,490. This amount exceeds the franchisor's stockholders' negative equity as of December 31, 2023, which is \$(3,055,433).

2. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for Frenchies, LLC ~~d/b/a Frenchies~~ for use in the Commonwealth of Virginia ~~will~~shall be amended as follows:

~~Additional Disclosure: The following statement is added to Item 17.h:~~

~~“Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground~~grounds~~ for default or termination stated in the franchise ~~or area development~~ agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable~~-.~~”~~

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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.

~~Each provision~~FOR THE STATE OF WASHINGTON

The provisions of this Addendum ~~to form an integral part of, are incorporated into, and modify~~ the Franchise Disclosure Document ~~shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Virginia Retail Franchising Act are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.~~

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE
WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT~~

~~Notwithstanding, the franchise agreement, and all related agreements regardless of anything to the contrary in the Frenchies, LLC d/b/a Frenchies Franchise Disclosure Document, Franchise Agreement, or Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in State of Washington.~~

~~This Washington Addendum: (b) the purchaser of the franchise is only applicable if you are a resident of Washington or if your; and/or (c) the franchised business will that is the subject of the sale is to be located or operated, wholly or partly, in Washington.~~

- ~~1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~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 the areas of termination those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.~~

~~**Site of Arbitration, Mediation, and** renewal of your franchise.~~

- ~~3. **/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~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights to waive compliance with any provision~~ under the Washington Franchise Investment Protection Act or any ~~rules or orders~~ thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).~~
- ~~5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~
- ~~6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~
- ~~7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.~~

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. ~~Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable, in accordance with RCW 19.100.220(2).~~

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

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~~ provision contained in the franchise agreement or elsewhere that ~~conflict~~ 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.

~~Based upon the franchisor's financial condition, the State of Washington has required a financial assurance. Therefore, all initial fees **Questionnaires and** payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchise has opened for business.~~

- 16. 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.
- 19. Item 5 of the Disclosure Document is supplemented by the following: In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because Franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until Franchisor has met all its pre-opening obligations under the agreement and Franchisee is open for business with respect to each such location.**

FRANCHISE AGREEMENT

EXHIBIT B

FRENCHIES
modern nail care

FRENCHIES
modern nail care

FRENCHIES, LLC
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

SUMMARY PAGES

EFFECTIVE DATE: _____

FRANCHISEE: _____

FRANCHISEE'S

ADDRESS FOR NOTICES: _____

TELEPHONE NUMBER: _____

E-MAIL ADDRESS: _____

FRANCHISE LOCATION: _____

CONTROL DATE: _____ The first anniversary of the Effective Date

INITIAL FRANCHISE FEE: \$50,000, payable on execution of this Franchise Agreement

_____ \$45,000, for VetFran qualifying franchisees, payable on execution of this Franchise Agreement

_____ \$ _____, credited from the Development Fee paid to Franchisor pursuant to the Development Agreement

MARKETING FEE: _____ 2% of Gross Revenue per month

LOCAL ADVERTISING REQUIREMENT: _____

\$2,000 per month, beginning with the month prior to opening and continuing during the Studio's first 12 full months of operation; Afterwards, \$1,500 minimum per month (refer to Section 9.4. of this Agreement) As ~~FRENCHIES, LLC~~ a component of the Local Marketing Requirement, there may be a MarTech Fee that is automatically collected each month. Currently, the MarTech Fee is \$0 per month, subject to increase.

ROYALTY FEE: _____ The greater of (i) 6% of Gross Revenue, or (ii) a "Minimum Royalty" of \$100 per week.

Franchisor Initials

Franchisee Initials

<u>INITIAL TRAINING FEE:</u>	<u>\$8,000, payable on execution on Franchise Agreement</u>
<u>TECHNOLOGY FEE:</u>	<u>Currently, \$150 per month, subject to increase.</u>
<u>RENEWAL FEE:</u>	<u>\$3,000</u>
<u>TRANSFER FEE:</u>	<u>Reimbursement of Franchisor's related costs and expenditures for transfers made for convenience of operation (refer to Section 12.2 of this Agreement)</u>
	<u>\$2,500 for assignments of non-controlling interest (refer to Section 12.3. of this Agreement), provided, however, that if Franchisor determines any new Owners must undergo training, Franchisor may charge a reasonable tuition for such training and Franchisee agrees to cover all related travel, lodging, and dining costs.</u>
	<u>\$5,000, plus reimbursement of Franchisor's costs in facilitating the transfer (including reasonable attorneys' fees) for assignments transferring controlling interest (refer to Section 12.4. of this Agreement)</u>
<u>EXTENDED TERM FEE:</u> <u>(TRANSFER ONLY)</u>	<u>\$1,000 per year added (not to exceed a total initial term of 10 years)</u>

FRANCHISOR

a Colorado limited liability company

ADDRESS FOR NOTICES: Frenchies, LLC
550 Reserve Street, Suite 380
Southlake, Texas 76092
Telephone: 720.526.2935
franchise@frenchiesnails.com
www.frenchiesnails.com

Attention: Brand Leader

Franchisor Initials

Franchisee Initials

FRENCHIES®, LLC ~~FRANCHISE AGREEMENT~~
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SECTION — DESCRIPTION FRANCHISE AGREEMENT

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<u>Attachment B</u>	<u>The Site Selection Area, Control Date, Franchised Location, and the Protected Area</u>
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Exhibit E	Electronic Funds Withdrawal Authorization

~~-Attachment G~~

FRENCHIES®, LLC
FRANCHISE AGREEMENT

~~This~~ **THIS FRANCHISE AGREEMENT** (~~“(the “Agreement”)~~) is made and entered into as of the Effective Date ~~set forth~~ reflected in the ~~Rider attached to this Agreement~~ Summary Pages (the ~~“Rider”~~ “Effective Date”) by and between FRENCHIES Frenchies, LLC, a Colorado limited liability company (~~“we”~~ “Franchisor”), and the franchisee identified in the Summary Pages (referred to in this Agreement as “you” or “us”) and the person or persons named in the ~~Rider as “Franchisee” (“you”).~~

RECITALS:

A. ~~We have invested substantial time, effort, and money to develop a system for operating~~ Franchisor has the right to use and to sublicense the use of a boutique studios that offer (“Studio”) featuring hand and foot care services for men and women, and other the sale of related products and services, that Franchisor authorizes under the trade name and trademark “FRENCHIES®” and other trademarks, service marks, and intellectual property rights. We grant franchises to qualified candidates for the operation of a hand and foot care business. We license our trademark rights in “FRENCHIES” “FRENCHIES NAIL SALONS®” and may in the future adopt, use, and license additional or substitute trademarks, service marks, logos, and commercial symbols in connection with the operation of FRENCHIES studios (collectively the “Marks”). FRENCHIES studios use our methods, procedures, standards, specifications, and Marks (all of which are collectively referred to as FRENCHIES® (the “System”), which we may improve, further develop, or otherwise modify from time to time.)

B. The distinguishing characteristics of the System include, without limitation, the combination of services provided, including manicure, pedicure and related hand and foot care services; private label hand and footcare products which incorporate Franchisor’s trade secrets and proprietary information (the “Proprietary Products”); distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; standards and specifications for products, services, equipment, materials, and supplies; service standards; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures for inventory and management control; training and assistance; and marketing advertising and promotional programs; all of which may be changed, improved, and further developed by us Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “FRENCHIES” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the “Proprietary Marks”).

D. You desire to enter into the business of operating a Nail Studio boutique hand and foot care studio under the System and using the Marks, and wish to enter into Proprietary Marks (the “Studio” or “Franchised Business”) and Franchisor desires to grant you such rights, all pursuant to the terms and conditions of this Agreement with us for.

NOW, THEREFORE, in consideration for the mutual premises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. GRANT

1.1. Grant.

1.1.1. Franchisor grants to you the right to use the System and Proprietary Marks solely in connection with the operation of the FRENCHIES® Franchised Business, and you accept the right and undertake the obligation, all according to the terms and conditions contained in this Agreement.

1.1.2. This franchise includes only the right (a) to use the System and Proprietary Marks in connection with the retail sale of authorized products and services at the Studio location identified or to be identified in Attachment B (“Franchised Location”); and (b) to use the Proprietary Marks to advertise and promote the Studio.

1.1.3. This Agreement specifically grants you no right, among others, to (a) sublicense the use of the System or Proprietary Marks, (b) to Co-brand with another concept, or (c) to deliver or ship FRENCHIES® products, regardless of the destination, without Franchisor’s prior written consent; or (d) to distribute FRENCHIES® products through wholesale channels, such as mail order, catalog sales, or Internet sales.

1.2. Protected Area. When the physical Studio location is identified within the assigned Site Selection Area and a lease is approved, we will determine and assign a “Protected Area.” This “Protected Area” will subsequently be identified and memorialized in Attachment B to the Franchise Agreement. During the term of this Agreement, and except for sales in “Closed Markets” (which are carved out from territorial protection, as described in Attachment B) Franchisor shall not (a) own or operate, or grant anyone else the right to operate, a Studio or (b) sell or license anyone the right to sell products and services under “FRENCHIES” trademark within the Protected Area identified in Attachment B.

1.2.1 So long as you meet the eligibility requirements for a Closed Market location to be developed in your Protected Area, as communicated to Franchisor by the party seeking a tenant for the Closed Market location, and you are not in default under any agreements with Franchisor or its Affiliates, Franchisor will offer to you a right of first refusal to develop the proposed Closed Market Studio location in accordance with the terms of this Section. Franchisor will provide written notice to you of the Closed Market Studio location available and any material terms the Franchisor is aware at the time written notice is provided (the “ROFR Notice”). If you elect to exercise your right of first refusal and to develop a Studio at the proposed Closed Market location, then within 30 days of your receipt of the ROFR Notice you must: 1) notify the Franchisor of your election to exercise your right of first as outlined in the ROFR Notice; 2) provide to Franchisor a receipt page for their current franchise disclosure document; and 3) fully execute Franchisor’s then-current form of franchise agreement and pay to Franchisor all of the initial fees thereunder. If you notify the Franchisor at any time after your receipt of the ROFR Notice that you elect not to exercise your right of first refusal, or if all of the requirements to exercise the right of first refusal are not complete, you will be deemed to have rejected your right of first refusal and the Franchisor may offer the opportunity to another third party or develop the location itself or through an Affiliate without any liability or further obligation to you. If you are a party to a development agreement with Franchisor, you may elect to have the Closed Market Studio count towards your Development Schedule.

1.3. Reservation of Rights. Franchisor reserves to itself all other rights in and to use the Proprietary Marks including (a) the right to own and operate and to grant others the right to own and operate Studios outside the Protected Area, regardless of their proximity to the Protected Area; (b) to own and operate FRENCHIES® Studios and license the use of the Marks and System or grant others the right to own and operate FRENCHIES® Studios in Closed Markets within and outside the Protected Area; and (c) the right to distribute products and services, whether identified by the Proprietary Marks, such as Private Label Products, or under different trademarks, within and outside of your Protected Area through alternative channels of distribution including mail order, catalog sales, department stores, retail stores, supermarkets, and/or Internet sales.

1.4. Right to Operate Businesses Under Different Proprietary Marks. Nothing in this Agreement prohibits or restricts Franchisor from (a) owning, acquiring, establishing, operating, or granting franchise rights for one or more other businesses under a different trademark or service mark (i.e., a mark other than FRENCHIES® whether or not the business is the same as or competitive with FRENCHIES® Studios; or (b) owning, operating, or franchising one or more businesses offering similar products or services under the name FRENCHIES or some derivative of the Proprietary Marks.

2. TERM

2.1. Term. The term of this Agreement shall begin on the Effective Date and shall expire, unless earlier terminated, on the 10th anniversary of the Studio opening, but no later than 11 years from the Effective Date, regardless of the date on which the Studio opens to the public for business.

2.2. Successor Terms. You may renew the franchise granted by this Agreement for two consecutive ten-year terms if, at the end of the initial term, each of the following conditions has been satisfied:

2.2.1. You have notified Franchisor of your intent to renew the franchise no less than 180 days and no more than 12 months prior to expiration of the then-current term;

2.2.2. You are not in default of any material provision of this Agreement, and you have complied with the materials terms and conditions of this Agreement throughout the term;

2.2.3. You have satisfied all monetary obligations owed to Franchisor, its Affiliates and third party suppliers;

2.2.4. You have renovated and refurbished the Studio premises so that they reflect Franchisor's then-current image, trade dress, equipment, and furnishings requirements;

2.2.5. You have demonstrated to Franchisor's satisfaction that you have the right to remain in possession of the Studio premises, or you have secured an alternate site with Franchisor's prior approval;

2.2.6. You comply with the then-current qualifications and training requirements;

2.2.7. You sign Franchisor's then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement, and each Owner executes a personal guaranty and undertaking in the form Franchisor prescribes;

2.2.8. You and each Owner sign a general and full release in favor of Franchisor and its Affiliates, and their respective, officers, directors, shareholders, members, managers, employees, and agents, of any claims arising out of or related to the franchise relationship including the offer and sale of the FRENCHIES® franchise opportunity; and

2.2.9. You have paid the Renewal Fee in the amount specified in the Summary Pages.

3. SITE SELECTION; CONSTRUCTION; STUDIO LOCATION

3.1. Site Selection. You must identify, acquire, and open a site for the Studio by the Control Date (the "Control Date") specified in the Summary Pages and Attachment B. You must agree to use our designated real-estate supplier to assist you in locating a site. Our designated real-estate supplier will assist with identifying sites that meet our criteria and adhere to "Protected Area" boundaries. The site must be located within the Site Selection Area (the "Site Selection Area") identified in Attachment B, must meet Franchisor's then-current site selection criteria, and must otherwise be mutually acceptable to you and to Franchisor. If you are opening a subsequent Studio, you may apply for an exception, electing not to use the designated real-estate supplier. If Franchisor approves your exception in its sole discretion, you must agree to all self-managed real-estate requirements. Ultimately, site selection and decision to sign a lease is solely your responsibility. Once you have acquired the site for the Studio, Franchisor will apply and define the "Protected Area" and Attachment B will be executed and supplemented accordingly.

3.2. Franchise Site Application. For each proposed site that you identify, you must deliver to Franchisor a completed franchise site application in a form Franchisor prescribes, including such information about the site as Franchisor may reasonably request to perform its evaluation. This information may include, among other things, a description of the proposed site, demographic and psychographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase price, rental obligations, and other lease terms for the proposed site)

and the size, appearance, other physical characteristics, and a site plan of the premises. Franchisor will approve or refuse to approve a proposed site within 30 days after the receipt of these documents and any additional information as Franchisor may reasonably require. Franchisor's failure to provide notification within this time period shall not be considered either approval or disapproval. **The parties acknowledge and agree that Franchisor's site approval is not an assurance that the Studio will achieve a certain sales volume or level of profitability; it means only that the proposed site meets Franchisor's minimum criteria for FRENCHIES® Studios.**

3.3. Lease. If you will occupy the Franchised Location under a lease with a third-party landlord, Franchisor shall have the right to approve the lease terms, and the lease shall not be signed until it has been reviewed and approved by Franchisor. **The parties acknowledge and agree that Franchisor's approval of a lease does not mean that the economic terms of the lease are favorable, it means only that the lease contains the lease terms that Franchisor requires.** The lease must also contain the terms reflected in Attachment F, including Franchisor's option to assume the lease in the event of expiration or termination of this Agreement. The lease must be executed within nine months of the Franchise Agreement Effective Date and you are required to be open and operational by Control Date, and you shall provide to Franchisor a fully executed copy of the lease within 10 days after its execution.

3.4. Studio Design and Build Out. You agree to follow Franchisor's procedures, programs and processes for the Studio construction and build out, and you agree to construct and build out the Studio according to Franchisor's standards and specifications for design, décor and layout, and shall equip the Studio according to Franchisor's requirements for fixtures, furnishings, equipment, interior and exterior signage, artwork and graphics, and awnings. You are solely responsible for obtaining all government approvals, zoning classifications, permits, and clearances related to the Studio, and for complying with applicable requirements of the Americans with Disabilities Act. During construction, you must maintain general liability and property damage insurance of the type and with the limits Franchisor requires, protecting you, Franchisor, and its Affiliates, and their respective partners, shareholders, directors, members, manager, agents, and employees. Such policy or policies shall be written by a responsible insurer or insurers acceptable to Franchisor and shall contain a waiver of subrogation in favor of Franchisor and its Affiliates, and their respective partners, shareholders, directors, members, managers, agents, and employees. You shall notify Franchisor in writing when construction begins and thereafter shall provide a monthly progress report. Franchisor and its designees have the right to inspect the site at all reasonable times.

3.5. Opening.

3.5.1. You must ensure that your Studio is open and operating no later than the Control Date identified on the Summary Pages and Attachment B.

3.5.2. You may open the Studio for business only with prior written permission of Franchisor.

3.5.3. Franchisor will grant permission to open only if (a) all amounts due Franchisor under this Agreement have been paid, (b) the Studio has been constructed and equipped according to Franchisor's standards and specifications, (c) all of your pre-opening and training obligations have been satisfied, (d) Franchisor has received from you a signed ACH Authorization (Attachment E) by no later than the Control Date; (e) Franchisor has received from you a fully executed copy of your Studio lease containing the mandatory lease terms described in Attachment F; (f) Franchisor has received from you certificates of insurance as required by Article 11; and (g) you are otherwise in good standing under this Agreement.

3.6. Relocation. You may relocate the Studio only with Franchisor's prior written consent. Franchisor will grant its consent if your lease expires or terminates through no fault of yours, or if the Studio premises is destroyed or materially damaged by fire, flood, or other natural catastrophe (an "**Innocent Loss or Casualty**") and you are not in default of this Agreement or any other agreement between you and Franchisor or its Affiliates. Selection of the relocation site and Studio construction, renovation, and opening shall be governed by this Article 3; provided that if the relocation occurred as a result of an Innocent Loss or Casualty

event, the Studio must be open for business at the new location within 180 days of closing at the previous location; however, if the relocation occurred for any other reason, the Studio must be open for business at the new location within five days of closing at the previous location. You are solely responsible for all relocation costs and expenses.

4. FEES

4.1. Initial Franchise Fee. Upon execution of this Agreement, you shall pay Franchisor an Initial Franchise Fee in the amount specified in the Summary Pages. You acknowledge and agree that the Initial Franchise Fee is fully earned by Franchisor when paid and is not refundable under any circumstances.

4.2. Initial Training Fee. Upon execution of this Agreement, you must pay the Initial Training Fee in the amount specified in the Summary Pages. You acknowledge and agree that the Initial Training Fee is fully earned by Franchisor when paid and is not refundable. The Initial Training Fee includes attendance for you and two additional representatives at Business Training, and for our on-site Studio Opening Training. Additional training is subject to the Franchisor's then current tuition.

4.3. Royalty Fee. During the term of this Agreement, you shall pay to Franchisor a nonrefundable and continuing Royalty Fee in the amount specified in the Summary Pages for the right to use the System and the Proprietary Marks. If any taxes, fees, or assessments are imposed on Royalty Fee payments by reason of Franchisor acting as a franchisor or licensing the Marks under this Agreement, you shall reimburse Franchisor the amount those taxes, fees, or assessments within 30 days after receipt of an invoice from Franchisor. Beginning one year after the Control Date, you will pay the greater of the actual weekly Royalty Fee or the Minimum Royalty as described on the Summary Pages.

4.4. Marketing Fee. During the term of this Agreement, you shall pay to Franchisor a nonrefundable and continuing Marketing Fee (the "Marketing Fee") in the amount specified in the Summary Pages. In consideration for the Marketing Fee, Franchisor will provide such advertising, marketing, and promotional services as Franchisor deems appropriate in its sole discretion. Franchisor may collect the Marketing Fee on such periodic basis as Franchisor specifies, which may be weekly, monthly, or otherwise.

4.5. MarTech Fee. During the term of this Agreement, you shall pay to Franchisor the then-current MarTech Fee (the "MarTech Fee"), which is both nonrefundable and continuing. The MarTech fee is considered a component of the Local Advertising requirement but is collected by the Home Office in conjunction with Marketing Fee. In consideration for the MarTech Fee, Franchisor will provide certain digital utilities, hosting and related marketing technology initiatives. Franchisor reserves the right to increase the MarTech Fee in relationship to direct expenses with 30 days' notice.

4.6. Technology Fee. You must also pay to Franchisor, on such date and in such manner as Franchisor designates, a Technology Fee in the amount indicated on the Summary Pages to be used in connection with certain software and technology related costs as determined by Franchisor in its discretion. Such amounts may be used, for example, for intranet development, support, maintenance, and related costs; software or application development, customization, and implementation; online or Internet-related support; hardware and/or software support; business intelligence and other such technologically related activities as Franchisor may determine from time to time. Franchisor reserves the right to increase the Technology Fee with 30 days' notice.

4.7. Other Payments. In addition to all other payments provided in this Agreement, you shall pay Franchisor and its Affiliates promptly when due:

4.7.1. All amounts advanced by Franchisor or which Franchisor has paid, or for which it has become obligated to pay on your behalf for any reason whatsoever.

4.7.2. The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon you and required to be collected or paid by Franchisor (a) on account of your Gross

Revenue, or (b) on account of initial franchise fees, royalty fees or advertising fees collected by Franchisor from you (but excluding ordinary income taxes). Franchisor, in its discretion, may collect the taxes in the same manner as Royalty Fees are collected and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless Franchisor so elects, it shall be your sole responsibility to confirm and pay all sales, use or other taxes now or hereinafter imposed by any governmental authorities on initial franchise fees, royalty fees and advertising fees.

4.7.3. Amounts due relating to your participation in marketing programs pursuant to Sections 9.4. and 9.5. of this Agreement.

4.7.4. All amounts due for any reason, including on account of purchases of Proprietary Products, supplies or services relating to the Franchised Business.

4.8. No Set-Off Rights. You may not set off, deduct or otherwise withhold any fees or other amounts due to the Franchisor under this Agreement on the grounds of alleged nonperformance by Franchisor of any of its obligations or for any other reason. Withholding royalties or any other amounts due Franchisor is a material breach of this Agreement.

4.9. Payment Terms. All payments required by this Agreement shall be paid within the time Franchisor specifies, provided that such day is a Business Day (the “Due Date”). If the Due Date is not a Business Day, then payment shall be due on the next Business Day.

4.10. Payment Procedures. Franchisor shall determine the amount of the Royalty Fee, Marketing Fee, and other amounts due under this Agreement by accessing and retrieving Gross Revenue data from your computer system, as permitted by Article 10, and shall provide notice to you (each a “Fee Notice”) stating the applicable Royalty Fee, Marketing Fee, and other fee amount, if any, no later than the Due Date. If you wish to dispute the amount, you shall deliver to Franchisor written notice of the dispute, along with all evidence that supports your claim within two Business Days following delivery of the Fee Notice. On each Due Date, Franchisor will transfer from your commercial bank operating account (“Account”) the undisputed amount of fees reflected in the Fee Notice. If you have not reported Gross Revenue for any reporting period, or if Franchisor determines that you have underreported Gross Revenue, Franchisor also has the right to transfer from the Account, at its option, an estimated payment, plus interest, which payment may be based on the Studio’s historical performance and/or the amount of your purchases of required products. Any overpayment will be credited against future payments due under this Agreement.

4.11. Electronic Fund Transfer. You shall participate in Franchisor’s then-current electronic funds transfer program authorizing Franchisor to use a pre-authorized bank draft system. You shall: (a) comply with Franchisor’s procedures, as specified in the Manual or otherwise in writing; (b) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 4.9.; (c) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty Fee, Technology Fee, Marketing Fee and other amounts payable under this Agreement, including any interest charges; and (d) make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for each payment thereof. Notwithstanding the provisions of this Article 4, Franchisor reserves the right to modify, at its option, the method by which you pay the Royalty Fee, Marketing Fee and other amounts owed under this Agreement upon receipt of written notice by Franchisor. Your failure to have sufficient funds in the Account is a material breach of this Agreement.

4.12. Interest; Nonsufficient Funds Charge. Any payments not received by Franchisor by the Due Date will accrue interest at the rate of 18% per annum or the highest lawful interest rate permitted by the jurisdiction in which the Studio operates, whichever is less. If any check, draft, electronic or otherwise, is returned for insufficient funds, you shall pay to Franchisor a nonsufficient funds charge in the amount of \$50 (which may be increased each year by an amount not to exceed 10% of the then-current amount) and reimburse Franchisor for all expenses that it incurs on account of such nonsufficient funds.

4.12. Partial Payments; Application of Payments. If you pay less than the amount due, your payment will be considered a partial payment on account. Franchisor may accept such payment as a partial payment, irrespective of any endorsement or other statement that the payment constitutes full payment. Franchisor's acceptance of such partial payment will not be considered a waiver of any of its right to demand or receive full payment, and you hereby waive any estoppel defense in this regard. Franchisor may apply your payments to any indebtedness, in its sole and reasonable discretion, regardless of any designation that accompanies the payment.

4.13. Payment of Taxes. To the extent that any sales, excise, or similar taxes are imposed on payments for goods or services provided by Franchisor, you shall pay such taxes. You agree to research your local tax requirements notwithstanding any support by us. You acknowledge that we will not research your local tax laws or advise on the same. You acknowledge and agree that you are wholly responsible for taxes relating to your Studio. You will notify us if your local laws require the collection of any taxes by your studio.

4.14. Collection Costs and Expenses. You shall pay Franchisor on demand any and all costs and expenses incurred by Franchisor in enforcing the terms of this Agreement including, without limitation, collecting any monies that you owe to Franchisor. These costs and expenses include, without limitation, costs and commissions due a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports demonstrating Gross Revenues of the Studio, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

4.15. Administrative Default Fee. In the event of default under this Section 4, or in the event of any instance of your non-compliance with this Agreement, the Manual, or other policies and System standards, for which we notify you of such default or non-compliance, at our discretion we may require you to pay an administrative fee to us in the amount of One Hundred Dollars (\$100) per occurrence, and One Hundred Dollars (\$100) for each week such default or non-compliance remains uncured, plus any and all of our costs and expenses to enforce compliance by you or to cure such default, including our attorneys' fees. Such administrative fee and other charges are intended to reimburse us for our time, expense, and other expenditure of resources incurred due to your default or non-compliance. Our decision to require you to pay such administrative fee shall be without prejudice to our right to terminate this Agreement and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement. We may obtain payment of such administrative fee by way of electronic fund transfer.

5. TRAINING AND ASSISTANCE

5.1. Initial Training. Before you may open the Studio for business the Managing Owner and other trainees must attend and complete, to Franchisor's satisfaction, Franchisor's initial training program, which consists of two distinct types of training: business-related training and opening and technical service-related training (together "**Initial Training**")

5.1.1 Business Training. The business-related portion of the Initial Training ("**Business Training**") will take place at a location and time that Franchisor designates, which could include virtual training, and only after you have executed a lease for the Franchised Business, provided, however, that Franchisor reserves the right to delay this portion of the Initial Training program until such time as you have completed all pre-initial training items set forth in the Manuals. Up to three individuals may attend the Business Training portion of the Initial Training program without additional tuition charge. If the Managing Owner is not the General Manager, both the Managing Owner and the General Manager must attend the Business Training. If the General Manager is also the Managing Owner, then one other employee may attend without charge. At your request, Franchisor may permit additional individuals to attend the Business Training, subject to space availability and payment of Franchisor's then-current tuition. You are responsible for all costs and expenses of complying with Franchisor's Business Training requirements including,

without limitation, tuition and registration costs, and salary, travel, lodging, and dining costs for all of your employees who participate in and attend the Business Training.

5.1.2 Studio Opening Training. We provide one individual (studio opener for 3 days) to provide opening support, software and sales training “Studio Opening Training.” The Initial Training Fee of \$8,000 includes the cost of our travel, for the studio opener trainer. Any additional training is charged at \$300/attendee/day plus our travel costs if relevant. These programs and their content are subject to change as described in the Manuals. The Managing Owner/General Manager is required to attend and participate in Studio Opening Training.

5.2. Additional Opening Assistance. At your request or as required by Franchisor, Franchisor may, in its sole discretion, provide additional on-site opening assistance, subject to availability of personnel and at the Franchisor’s current daily rate. In such event, you agree to pay Franchisor’s current daily rate for providing such assistance, and you must reimburse Franchisor for all out-of-pocket costs it incurs in connection with providing such additional assistance, including travel, lodging, and dining costs for the individual(s) providing such assistance. If Franchisor determines, in its sole discretion, that you have not met the minimum requirements for the establishment of the Studio by the timelines set forth in the Manuals, Franchisor may require that you accept such additional on-site assistance as Franchisor deems appropriate. You agree to pay Franchisor’s per diem assistance fee for such additional assistance as well as Franchisor’s related travel, lodging, and dining costs.

5.3. Ongoing and Advanced Training. Upon your request or as required by Franchisor, Franchisor may, in its sole discretion, provide additional ongoing or on-site training assistance, subject to availability of personnel and at the Franchisor’s current daily rate (“Advanced Training”). Should Franchisor agree to provide such Advanced Training, you agree to pay Franchisor’s current daily rate, in some cases per attendee/trainee for providing such assistance, and you must reimburse Franchisor for all out-of-pocket costs it incurs in connection with providing such additional assistance, including travel, lodging, and dining costs for the individual(s) providing such assistance. Advanced Training currently includes Open-training (refresher), Local Studio Trainer (e.g., train the trainer), Manager Training and so on. All on-going and advanced training has a fee associated. The franchisor reserves the right to offer occasional incentives and discounts at their sole discretion.

5.4. Pre-Opening Consultation. Franchisor shall provide such pre-opening consultation and advice as it deems appropriate, which may include advice with regard to the development and operation of the Studio, building layout, furnishings, fixtures, and equipment, plans and specifications, employee recruiting, selection, and training, purchasing and inventory control, and such other matters as Franchisor deems appropriate.

5.5. Ongoing Consultation. Franchisor shall provide such ongoing consultation and advice as it deems appropriate, which may include information about new service and product development, instruction concerning the operation and management of a FRENCHIES® Studio, advertising and marketing advice, and financial and accounting advice. Such consultation and advice may be provided, in Franchisor’s discretion, through Studio visits by Franchisor personnel, via meetings, seminars or conferences, and/or through dissemination of electronic or printed materials.

5.6. Additional Training. You agree to cause the Managing Owner, General Manager, and other employees that Franchisor designates to attend such additional courses, seminars, and other training programs as Franchisor may reasonably require. Franchisor may charge a reasonable tuition for these additional courses, seminars, or other training programs, and you are responsible for all training-related costs and expenses including, without limitation, salary, travel, lodging, and dining costs for all employees who participate in the training.

5.7. Continuing Education Requirement. You shall cause each Studio employee providing services which require, by law, a license or certification, to complete, to Franchisor's satisfaction, Franchisor's

continuing education requirement, and other certifications and ongoing education required by law. Franchisor may, in its sole discretion, exempt certain employees from such required continuing education, if Franchisor deems that the continuing education required by the licensing or certifying State meets Franchisor's minimum continuing education requirements. Upon Franchisor's request, you must provide proof of renewed license or certification, or proof of completion of continuing education requirements for each Studio employee required, by law, to be licensed or certified. You are responsible for all costs related for each technician's attendance including, but not limited to, Franchisor's then-current tuition, your employees' salary, and all travel expenses. You shall also cause each Studio employee providing technical services to complete, to Franchisor's satisfaction, any of Franchisor's future education requirements regardless of your state's legal requirements, including any advanced training or recertification.

5.8. Additional On-Site Training. In the event that you: i) fail two consecutive quality inspections; ii) are deemed non-compliant with our System Standards; iii) have failed to attend our convention or other required meetings; iv) or otherwise create continued quality concerns within your Studio, Franchisor may, in its sole discretion, require the Managing Owner and your General Manger (or, if the Managing Owner is the General Manager, then one additional employee) to attend up to three days of additional training. You will bear all costs for such additional training including, but not limited to Franchisor's current daily rate for providing such training and all travel expenses.

5.9. Performance by Delegate. You acknowledge and agree that any rights or duties of Franchisor may be exercised and/or performed by any of Franchisor's designees, agents, or employees.

5.10 Convention. You or your representative are required to attend, no more than annually, any designated convention, regional meeting or annual training meeting. You will pay the then-current enrollment fee and are responsible got all costs of attending the convention, including travel, lodging, meals and wages. For any required training you do not attend, you will pay the same registration fee as attendees. This fee shall be automatically withdrawn by electronic funds transfer.

6. OPERATION OF THE FRANCHISED BUSINESS

6.1. General Operating Requirements. You understand and acknowledge that every detail of the System is essential to maintain and enhance the goodwill associated with the Proprietary Marks and the integrity of the brand. Accordingly, you agree as follows:

(a) To operate the Franchised Business according to the highest applicable health and safety standards and ratings, to timely obtain or cause employees to obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Franchised Business, and to comply with all applicable laws pertaining to the privacy of the customer, employee and transactional information and other applicable data protection laws that are applicable to the System as a whole, and to operate the Franchised Business according to Franchisor's operating methods, standards, and specifications, and to maintain, at all times, a high moral and ethical standard in the operation of the Franchised Business.

(b) To notify Franchisor by telephone and confirm in writing within 72 hours of any investigation or violation, actual or alleged, concerning any health or safety regulations, and notify Franchisor in writing within five days of the commencement of any investigation, action, suit or proceeding, and the issuance of any order, writ, injunction, award, or decree of any court, agency or other government instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

(c) Upon the occurrence of a Crisis Management Event, to immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone, and to cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

6.2. Managing Owner; General Manager.

6.2.1. The Studio must be supervised by a General Manager. The Managing Owner may also be the General Manager. The Managing Owner shall have oversight of the General Manager and the General

Manager shall have full control (the extent granted by Franchisee) over day-to-day Studio management and operations. The Managing Owner and the General Manager must attend and successfully complete Franchisor's initial training program and all additional training that Franchisor requires, to Franchisor's satisfaction. The General Manager shall devote his or her full-time efforts to Studio operations and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. Franchisor shall have approved the Managing Owner as meeting its then-current qualifications for such position.

6.2.2. If the General Manager ceases to serve in, or no longer qualifies for, such position, you shall designate another qualified person to serve as your General Manager within 30 days after the date the prior General Manager ceases to serve or no longer qualifies to serve. Any proposed replacement General Manager must successfully complete the initial training program and such other training required by Franchisor, and be approved by Franchisor, before assuming his or her position as General Manager and, in no event, later than 90 days after the previous General Manager ceased to serve in such position. In the event of the replacement of a General Manager, the franchisor may, at its sole discretion, require on-site, in-store training under the same terms and tuition rates contained in Article 5 above.

6.3. Employee Policy; Uniforms and Employee Appearance. You shall maintain a competent, conscientious, fully certified and trained staff, and shall take such steps as are necessary to ensure that your employees and/or independent technicians preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as Franchisor may establish from time to time in the Manuals or otherwise in writing. You shall cause all employees and/or independent technicians, while working at the Studio, to: (a) abide by the uniform requirements and policies set forth in the System standards, Uniform Guidelines and other specifications as Franchisor may designate from time to time, and (b) present a neat and clean appearance. In no case shall any of your employees and/or independent technicians wear his or her FRENCHIES® uniform while working for you at any location other than the Franchised Business.

6.4. Authorized Services and Product Offerings.

6.4.1. You must offer and sell all services and products that Franchisor requires, and only those services and products that Franchisor has approved. Franchisor may add, eliminate and change authorized services and/or products, in its sole discretion, and you must comply with all directives (which may require purchasing and installing additional equipment). You shall package and feature all products in accordance with Franchisor's standards and procedures as communicated to you from time to time via the Manual or other written directives. Such standards and procedures may include, without limitation, use of packing and marketing paraphernalia bearing the Proprietary Marks, and other standards for displaying for sale the proprietary products. You shall participate in all market research programs that Franchisor requires, which includes test-marketing new services and/or products, purchasing a reasonable quantity of new products for test-marketing, promoting the sale of the new services and/or products. You shall provide Franchisor with timely reports and test results for all such programs.

6.4.2. You are expressly prohibited from providing any services or using any products in the performance of services not specifically permitted by the operations manual without Franchisor's prior written consent.

6.5. Purchase Requirements. You shall purchase and install, at your expense, all fixtures, furnishings, equipment, décor, signs, and other items as Franchisor may reasonably direct; and shall refrain from installing or permitting to be installed on or about the Studio premises any fixtures, furnishings, equipment, décor, signs, vending or game machines or other items not approved for use by Franchisor. In addition, you shall purchase and use only products, packaging materials, and supplies as conform to Franchisor's standards and specifications; and shall purchase, use, offer and/or promote FRENCHIES® products which

are produced or manufactured in accordance with Franchisor's proprietary specifications and/or formulas or which Franchisor designates as "Proprietary Products."

6.6. Purchases from Designated Sources. Franchisor and its Affiliates may act as suppliers of goods, services, products, and/or supplies to be purchased by you, including, without limitation, the Proprietary Products and your computer hardware and software ("Goods and Services"), and may designate themselves as the sole suppliers of any such Goods and Services. You shall purchase your requirements of Goods and Services from Franchisor or its designated sources. Such Goods and Services shall be made available for purchase at then-current published prices according to the supplier's then-current purchase terms and conditions. You shall purchase all other products, equipment, supplies and materials used or sold by the Franchised Business, including, without limitation the Proprietary Products, solely from suppliers (including Franchisor, or its Affiliates, and manufacturers, wholesalers, and distributors) who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's reasonable standards and specifications for such items, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by Franchisor in the Manuals or otherwise in writing and not thereafter disapproved. You acknowledge and agree that Franchisor and its Affiliates may negotiate purchase arrangements with suppliers for your benefit and may derive revenue or obtain rebates, bulk pricing discounts or allowances for their own account from approved or designated suppliers if rebates or other considerations become available because of your purchases of products or services. If you desire to purchase products from other than approved suppliers, you shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of conformity with Franchisor's specifications as Franchisor may reasonably require or shall request the supplier itself to do so. Franchisor shall have the right to inspect and evaluate the supplier's facilities and products to be supplied, and you shall reimburse Franchisor for its costs and expenses to complete the evaluation, in addition to paying Franchisor its Supplier Approval Fee. Franchisor may from time to time re-inspect and re-evaluate the facilities and products of any approved supplier and revoke its general approval of particular products or suppliers when Franchisor determines, in its sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, you shall cease to sell any disapproved products and cease to purchase from any disapproved supplier.

6.7. Franchised Location.

6.7.1. You shall maintain the Studio (including adjacent public areas) in a clean, orderly condition and in excellent repair and in accordance with Franchisor's standards. You shall, at your expense, make such additions, alterations, repairs, and replacements under this Agreement as may be required for that purpose, and to receive the training and other assistance provided by us in connection therewith, including, without limitation, such periodic repainting, repairing, and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment, and decor as Franchisor may reasonably direct. Upon Franchisor's request, you shall install and maintain at the Franchised Business interactive multi-media equipment, devices, and facilities Franchisor requires, including, without limitation, approved music systems, wi-fi and other wireless internet and communications systems, and interactive displays, including plasma or LCD screens.

~~D. You acknowledge that you have had an adequate opportunity to be thoroughly advised about the provisions of this Agreement and our Franchise Disclosure Document and have had sufficient time and opportunity to evaluate and investigate the System and the procedures and financial requirements associated with the System, as well as the competitive market in which it operates.~~

~~E. You desire to operate a FRENCHIES franchise that will conform to our uniform requirements and quality standards as we establish from time to time.~~

AGREEMENTS:

GRANT OF FRANCHISE, FRANCHISED LOCATION

~~**A. Grant of Franchise.** Subject to the provisions stated below, we license to you a personal franchise to operate a FRENCHIES business (your “Nail Studio”) in conformity with our System at the location described on the Rider (the “Franchised Location”). You accept the license and undertake the obligation to operate your Nail Studio using the System and in compliance with our standards. Unless otherwise agreed in writing by us, you must open your Nail Studio within twelve (12) months from the Effective Date; *provided, however,* we will give you a one-time opportunity to extend this date by three (3) months subject to you paying us an extension fee of Five Hundred Dollars (\$500) and signing an extension agreement in the form we provide. However, if you are converting an existing nail care business to a FRENCHIES studio, you must complete all remodeling and open your Nail Studio in accordance with the terms of this Agreement within ninety (90) days of the Effective Date. In each case, you must diligently operate your Nail Studio in accordance with this Agreement for the entire remaining term of this Agreement. Notwithstanding the foregoing, if you are entering into this Agreement under the terms of an Area Development Agreement executed between you and us, you will open your Nail Studio on or before the date set forth in the “Development Schedule” (as defined in the Area Development Agreement). Your Nail Studio may only be operated at the Franchised Location. If you would like to open a second or subsequent location, you must sign a new franchise agreement on our then current form for each location, and pay the applicable franchise fees for each location.~~

~~**B. Limitations.** The rights and privileges granted to you under this Agreement are personal in nature and may not be used at any location other than the Franchised Location. You do not have the right to delegate, subfranchise, or sublicense any of your rights under this Agreement. Without our written consent, you may not use the Franchised Location for any purpose other than the operation of a FRENCHIES studio. Your rights hereunder shall be limited to offering and selling products and services at the Nail Studio, and only to retail customers of the Nail Studio (the “Premises”). You expressly acknowledge that you may only engage in off-Premises activities within the Protected Territory (as defined below) and only in accordance with such specific programs, policies, terms and conditions as we may from time to time establish and in accordance with the requirements of this Agreement and the procedures set forth in the Manual and all applicable laws. You may not, without our prior written approval, engage in any other type of sale of, or offer to sell, or distribution of products or services, including, but not limited to: selling, distributing or otherwise providing, any products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).~~

~~**C. Protected Territory.** Included in the Rider is a map or description of an area surrounding the Franchised Location (the “Protected Territory”).~~

~~**D.** Except as specified in this Section or in Section 2.B, during the term of this Agreement, we will not operate or license to anyone else the right to operate a FRENCHIES studio from any other location in the Protected Territory, provided that we retain the following rights, among others, on any terms and conditions we deem advisable, and without granting you any rights therein:~~

- ~~i. To own, acquire, establish, and/or operate and license others to establish and operate, Nail Studios under the System at any location outside the Protected Territory, notwithstanding their proximity to the Protected Territory or the Franchised Location or their actual or threatened impact on sales of the Nail Studio;~~

- ~~ii. To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Marks, whether such businesses are similar to or different from the Nail Studio, at any location within or outside the Protected Territory, notwithstanding their proximity to the Protected Territory or the Franchised Location or their actual or threatened impact on sales of the Nail Studio;~~
- ~~iii. To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products through mail order, toll free numbers, the Internet, other Electronic Media, mobile and temporary locations, and other alternative distribution channels, including products bearing our Marks; and~~
- ~~iv. To (i) acquire one or more retail businesses that are the same as, or similar to, Nail Studios then operating under the System (each an “Acquired Business”), which is part of a system of retail businesses that we or our affiliates acquire (an “Acquired System”). An Acquired Business may be at any location within or outside the Protected Territory, notwithstanding its proximity to the Protected Territory or the Franchised Location or their actual or threatened impact on sales of the Nail Studio. We may operate and/or license others to operate any Acquired Business under its existing name or as a studio under the Marks and System at any location. You will have no right to purchase, and we will not be obligated to offer you any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. We may license such unit to be operated under any trade name or trademarks, including the Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the protected territory or development territory.~~

~~In addition, the boundaries of your Protected Territory may overlap with a territory we grant to another franchisee or to a FRENCHIES studio we (or our affiliates) operate, so long as no other FRENCHIES studio is located within your Protected Territory.~~

~~**E. Additional Reservation of Rights.** We and our affiliates reserve any and all rights not expressly granted to you under this Agreement, including, without limitation, the right to sell products and services anywhere including within the Protected Territory and including to your customers under the “FRENCHIES” name, or under any other name, through any channel of distribution.~~

TERM; RENEWAL RIGHTS

~~**A. Initial Term.** The term of this Agreement is for ten (10) years commencing on the Effective Date of this Agreement, unless terminated earlier as provided in this Agreement.~~

~~**B. Renewal.** You have the right to renew your Nail Studio franchise for the Franchised Location for an additional ten (10) year term, provided you meet all of the following conditions:~~

- ~~i. You have given us written notice at least two hundred ten (210) days before the end of the then current term of this Agreement of your desire to renew;~~
- ~~ii. You and all entities of which you are a member, partner, or shareholder are in compliance with all agreements between you and us and between you and our affiliates, and there has been no series of defaults by you under those agreements (i.e., an abnormal frequency of defaults, a default that has occurred repeatedly, or a combination thereof), whether or not those defaults were cured;~~

- ~~iii. You make or provide for in a manner satisfactory to us renovation and re-equipping of your Nail Studio as we deem appropriate to reflect the then-current standards and image of the System, including, without limitation, renovation or replacement of signs, equipment, furnishings, fixtures, and decor;~~
- ~~iv. You pay us a renewal fee at least fifteen (15) days before expiration of the initial term of this Agreement in an amount equal to Three Thousand Dollars (\$3,000) (which we will reduce to Two Thousand Five Hundred Dollars (\$2,500) if we receive all your signed renewal documents, and this fee, at least thirty (30) days before this Agreement expires) (the “Renewal Fee”);~~
- ~~v. You sign the standard Franchise Agreement then being used by us within thirty (30) days of receipt, provided that you pay the Renewal Fee in lieu of the Initial Franchise Fee set forth in the then-current Franchise Agreement. The terms of that Franchise Agreement may differ from this Agreement, including higher fees and a modification to the Protected Territory based upon our then-current methods of determining Protected Territory areas (and which may include a reduction in the Protected Territory);~~
- ~~vi. You present satisfactory evidence that you have the right to remain in possession of the Franchised Location for the duration of the renewal term, unless we determine that the location of your business is no longer viable for the operation of your Nail Studio, in which case we may condition your right to renew on your obtaining a new site for your Nail Studio that we approve;~~
- ~~vii. Your management staff and each technician you employ in your Nail Studio successfully completes any refresher training we prescribe at least thirty (30) days before the expiration of the term of this Agreement; and~~
- ~~viii. At the time you sign the Franchise Agreement to renew your franchise, you sign and deliver to us a general release, a form prescribed by us, releasing (to the fullest extent permitted under the laws of the state where your Nail Studio is located) all claims that you may have against us and our affiliates and our respective officers, directors, shareholders, members, managers, employees, insurers, consultants, contractors, and agents, in both their corporate and individual capacities.~~

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

MARKS AND COPYRIGHTS

A. Identity of Your Nail Studio. Your Nail Studio will be identified by the trademark “FRENCHIES,” and other names and logos we prescribe from time to time.

B. Ownership of Mark. You agree that we own the Marks and the System. You also agree that any and all improvements and derivations by you relating to the Marks and System are our sole property and you hereby assign to us the same, together with the goodwill associated with the same. We will have the exclusive right to register and protect all improvements and derivations of the Marks and the System.

~~**C. Use.** Your right to use and identify with the Marks and System applies only to the Franchised Location, and exists concurrently with the term of this Agreement and only so long as you are in complete compliance with our quality standards. You will have the right to use the Marks and System only in the manner we prescribe, direct, and approve in writing. You will not have or acquire any rights in any of the Marks or System other than the right of use as governed by this Agreement. You may not authorize others to use or reproduce our Marks without our prior written consent. Your use of the Marks and any resulting goodwill will be to our exclusive benefit. If, in our judgment, your conduct infringes upon or demeans the goodwill, standards of uniformity or quality, or business standing associated with the Marks or the System, you will immediately, upon written notice from us, modify your use of the Marks and the System in the manner we prescribe in writing. You will not during or after the term of this Agreement do anything directly or indirectly that would disparage, infringe upon, harm, or contest our rights in the Marks or System.~~

~~**D. Promotion.** You will operate your Nail Studio so that it is clearly identified and advertised as a FRENCHIES studio. The style, form, and use of the words “FRENCHIES” in any advertising, written materials, products, or supplies, including (but not limited to) in or on any Website or in or on any Electronic Media (each defined below), must, however, have our prior written approval and comply with specifications we prescribe in writing and as set forth in the Manual, or otherwise. You will use the trademark “FRENCHIES” and the other Marks that now or hereafter may form a part of the System, on all signs, paper supplies, business cards, uniforms, advertising materials, Websites, your FRENCHIES Website, Electronic Media, signs, and other articles in the identical combination and manner as we prescribe in writing and you will supply to us samples or photographs of the same upon our request. You will comply with all trademark, trade name, service mark, and copyright notice marking requirements and you will supply to us samples or photographs of the same upon our request. You will not use the words “FRENCHIES” in your corporate, partnership, limited liability company, or other entity name. You may not maintain any Website or Electronic Media that use the words “FRENCHIES” or any similar name or use of refer to the Marks or the System without our prior written consent, which we may withhold in our sole discretion.~~

~~**E. Substitutions of, or Adverse Claims to, Marks.** We have the right to protect and maintain all rights to the Marks against encroachment, misuse, or unauthorized use and against all challenges to any rights of its use, as we deem appropriate. If it becomes advisable at any time, in our sole discretion, to modify our use of any Mark, or to discontinue using any Mark, or if there is an adjudication by a court of competent jurisdiction that any party’s rights to any of the Marks are superior to ours, then upon written notice from us, you will, at your sole expense, immediately adopt and use the changes and amendments to the Marks that are specified by us in writing, and if the Mark that is changed is the name “FRENCHIES,” then all references in this Agreement to the name “FRENCHIES” will be deemed references to the substitute Mark. If we modify or discontinue use of any Mark, you will immediately cease using the Marks specified by us, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs, and commercial symbols designated by us in connection with all advertising, marketing, and promotion of your Nail Studio. We will have no liability or obligation whatsoever with respect to your modification or discontinuance of any Mark. You will not make any changes or amendments in or to the use of the Marks or System unless directed by us in writing.~~

~~**F. Litigation.** You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you with respect to the Marks and~~

will, at your reasonable expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation incurred by us, including reasonable attorneys' fees, specifically relating to the Marks. We will have the right to control and conduct any litigation relating to the Marks and be entitled to all recovery related to claims arising from or related to the Marks. While we are not required to defend you against a claim based on your use of the Marks, we will reimburse you for your liability. You will also be required to reimburse us for liability arising out of your unauthorized use of any of the Marks.

~~**G. Copyrighted Materials.** You acknowledge and agree that we may authorize you to use certain copyrighted or copyrightable works (the "**Copyrighted Materials**"), including the Manual (as defined below). The Copyrighted Materials are our valuable property. Your rights to use the Copyrighted Materials are granted to you solely on the condition that you comply with the terms of this Agreement. Your use of the Copyrighted Materials does not vest you with any interest other than the temporary, non-exclusive license to use the Copyrighted Materials granted in this Agreement. All rights that inure as a result of the use of the Copyrighted Materials belong solely to us.~~

~~**Protection.** You will sign any documents that we or our counsel deem necessary for the protection of the Copyrighted Materials or the Marks or to maintain their validity or enforceability, or to aid us, at our expense, in acquiring rights in or registering any of the Marks or any trademarks, trade names, service marks, slogans, logos, or emblems that we subsequently adopt. 6.7.2. You shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Location.~~

~~6.7.3. You shall purchase and install, at your expense, all fixtures, furnishings, equipment, decor, signs, and other items as Franchisor may reasonably direct from time to time in the Manual or otherwise in writing in accordance with Franchisor's standards and specifications; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any fixtures, furnishings, equipment, decor, signs, vending or game machines or other items not previously approved in writing as meeting Franchisor's standards and specifications.~~

~~6.7.4. At Franchisor's request, you shall make such alterations as may be necessary to reflect new product offerings and marketing incentives, including updating or replacement of new interior signage, graphics, and/or point of sale materials.~~

~~**H.** 6.7.5.~~

~~INITIAL FRANCHISE FEE~~

~~**A. Initial Franchise Fee.** You will pay us a nonrefundable initial franchise fee (the "**Initial Franchise Fee**") as set forth in the Rider.~~

~~**B. No Refunds.** The Initial Franchise Fee has been fully earned upon our signing of this Agreement and is nonrefundable in consideration of the expenses incurred by us in granting this franchise and for the lost or deferred opportunity to franchise others.~~

~~WEEKLY FEES~~

~~**A. Weekly Royalty Fee.** On Monday of each week, you will pay to us a non-refundable weekly royalty payment (the "**Weekly Royalty Fee**") equal to the greater of: (i) One Hundred Dollars (\$100) per week; or (ii) five and one-half percent (5.5%) of the Gross Revenues generated in the preceding week by your Nail Studio.~~

- ~~i. Your obligation to pay us the Weekly Royalty Fee under the terms of this Agreement will apply to any Gross Revenues collected during the term of this Agreement. If you have not opened your Nail Studio within one (1) year from the Effective Date, you must begin paying the Weekly Royalty Fee one (1) year from the Effective Date; provided, however, that if you have not yet been given a Protected Territory, or you voluntarily relinquish your Protected Territory, then for a fee of Five Hundred Dollars (\$500), we will grant you one (1) nine (9) month extension to open your Nail Studio, and we will waive the Weekly Royalty Fee until you begin operating your Nail Studio. Your obligation to pay the Weekly Royalty Fee will remain in full force and effect throughout the term of this Agreement.~~
- ~~ii. “Gross Revenues” means the total amount of revenues you receive from all business activities and all other income of every kind and nature related to, derived from, or originating from the Nail Studio, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit, plus the fair market value of products delivered and services rendered to you, or to your designee, in consideration for products and services provided in, from, or in conjunction with your Nail Studio. There will be excluded from Gross Revenues bona fide refunds, credits given or allowed to customers for the return of merchandise, and amounts collected from customers and remitted by you to any governmental taxing authority in satisfaction of sales taxes.~~

~~**B. Weekly Advertising and Marketing Fund Contribution.** Beginning upon the opening of your Nail Studio, on Monday of each week, you will pay to us a non-refundable weekly “**General Advertising and Marketing Fund Contribution**” equal to two percent (2%) of the preceding week’s Gross Revenues from your Nail Studio. We reserve the right, in our sole discretion, to increase the amount of the General Advertising and Marketing Fund Contributions for such amount we determine; provided we may only increase the amount once per any twelve (12) month period and in no event shall the General Advertising and Marketing Fund Contributions exceed three percent (3%). We will account for all General Advertising and Marketing Fund Contributions we receive as part of a “**General Advertising and Marketing Fund.**” We have the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved, or merged.~~

- ~~i. We may use monies in the General Advertising and Marketing Fund for any purpose that promotes the System, the Marks, or the Frenchies Modern Nail Care name as we deem appropriate in our sole discretion, which may include the creation, production, and placement of consumer advertising; agency costs and commissions; costs of preparing and conducting local, regional, or national media of our choice, including but not limited to: television, radio, internet, magazine, direct mail and newspaper, billboard, social media and digital advertising; other forms of out of home advertising and direct mail campaigns, and other public relations activities; developing and/or hosting an internet web page or similar activities; administering multi regional advertising programs, direct mail and other media advertising; in house staff assistance and related administrative costs; local and regional promotions; public relations campaigns, including the cost of retaining public relations firms; market research (including sampling); and other advertising and marketing activities, including participating at tradeshow. We may also reimburse ourselves, our authorized representatives or our affiliates from the General Advertising and Marketing Fund for any expenses we incur related to the promotion of the Frenchies Modern Nail Care brand, the Marks, or the System, including administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses; taxes and all other reasonable direct or indirect expenses that may be incurred by us and our authorized representatives and associated with the programs funded by the General Advertising and Marketing Fund. Advertising may be placed in local, regional, or national~~

~~media of our choice. We do not guarantee that advertising expenditures from the General Advertising and Marketing Fund will benefit you or any other franchisee directly, on a pro-rata basis, or at all.~~

- ~~ii. All interest, if any, earned by the General Advertising and Market Fund will be used for the payment of the foregoing expenses before application of any principal.~~
- ~~iii. We will prepare on an annual basis, and will have available for you within one hundred and twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the General Advertising and Marketing Fund. The statement will be presented to you upon your written request. The General Advertising and Marketing Fund is not required to be independently audited.~~
- ~~iv. Methods, media employed, the contents of advertising and marketing, and terms and conditions of advertising, marketing, and promotional programs, will be in our sole discretion, but we will not use any of these monies for any advertising that is primarily directed to helping us sell franchises.~~

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

ADVERTISING AND PROMOTION

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

~~**A. Generally.** Generally, with regard to advertising for the Nail Studio, you will place or display at the Franchised Location (interior and exterior) only the signs, emblems, lettering, logos,~~

and displays and advertising materials as we approve in writing from time to time. You will submit to us, at least fifteen (15) business days before publication or use, samples of any sales, promotional, and advertising materials you desire to use, including, but not limited to, print, radio, television, and internet advertising, signage, supplies, and packaging which we have not previously approved. Within ten (10) business days of our receipt of any sample sales promotional material or advertising materials from you, we will notify you in writing of our approval or disapproval of the materials. You will not use any advertising or promotional materials for which we have not given our prior written approval. All advertising will prominently display the Marks and will comply with any standards for use of the Marks we establish as set forth in the Manual or otherwise in writing. We may require you to discontinue the use of any advertising or marketing material, within time frames prescribed by us, at your sole cost and expense. Upon written notice to you, we may require you to participate in mandatory promotions as we may develop and implement from time to time.

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

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

~~**D. Websites.** As used in this Agreement, the term “Website” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, you agree to the following:~~

- ~~i. We have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, any or all of the FRENCHIES studios operating under the System, the franchising of FRENCHIES studios, and/or the System. We have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; we also have the right to discontinue operation of the website.~~
- ~~ii. If we operate a Website for the promotion of the System, we will include location-specific information regarding the Nail Studio.~~
- ~~iii. You may not establish a separate Website, without our prior written approval (which we shall not be obligated to provide). If approved to establish a Website, you must comply with our policies, standards and specifications with respect to the creation, maintenance and content of any such Website. You specifically acknowledge and agree that any Website owned or~~

maintained by or for the benefit of you shall be deemed “advertising” under this Agreement, and will be subject to (among other things) our approval.

iv. We will have the right to modify the provisions of this Section relating to Websites as we shall solely determine is necessary or appropriate.

E. Online Use of Marks. You may not, without our prior written approval, use the Marks or any abbreviation or other name associated with us and/or the System as part of any email address, domain name, and/or other identification of you in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding FRENCHIES studios by email or any other “**Electronic Media**” without our prior written consent and in accordance with such specific programs, policies, terms and conditions as we may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook, Instagram and LinkedIn), video sharing and photo sharing sites (such as YouTube and Flickr), review sites (such as Yelp and Urbanspoon), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

F. Grand Opening and Ramp Up Plan. You must provide us with a Grand Opening and Ramp Up Plan that we approve at least thirty (30) days prior to the opening of your Nail Studio, which outlines your plan for the grand opening advertising of your Nail Studio. We may require you to work with one or more vendors that we designate to execute the Grand Opening and Ramp Up Plan. During the period of time beginning thirty (30) days before until ninety (90) days following the opening of the Nail Studio, you must spend a minimum of Fifteen Thousand Dollars (\$15,000) to implement a grand opening advertising and promotional campaign. We, at our sole discretion, may require you to purchase certain digital media, print media, television, advertising, radio advertising, billboards, signage, plus graphic designs, layouts, and written copy for advertisements, from us or from other vendors that we designate. We may require you to provide proof that these funds were spent. If you fail to spend the minimum required amount on the Grand Opening and Ramp Up Plan, we have the right to collect from you the difference between what you should have spent for the Grand Opening and Ramp Up Plan and what you actually spent. The amounts you spend on the Grand Opening and Ramp Up Plan are in addition to the General Advertising and Marketing Fees that you must pay to us. The Grand Opening and Ramp Up Plan may include digital media, print media, television advertising, radio advertising, billboards, or other outdoor signage. In addition to costs associated with the Grand Opening and Ramp Up Plan, you must purchase certain marketing materials such as branded promotional products, printed materials, large format indoor or outdoor signage, and similar items, from us or a designated supplier.

G. Regional Advertising and Promotional Cooperative. We will have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (“**Cooperative**”), and to determine whether a Cooperative is applicable to your Nail Studio. If a Cooperative has been established applicable to your Nail Studio at the time you begin operating under this Agreement, you must immediately become a member of such Cooperative. If a Cooperative applicable to your Nail Studio is established at any later time during the term of this Agreement, you must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. If your Nail Studio is within the territory of more than one Cooperative, you are required to be a member of only one (1) such Cooperative. The following provisions will apply to each Cooperative:

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

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

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

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

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

~~**H. Your Local Advertising and Advertising Cooperatives:**~~

~~i. In addition to the General Advertising and Marketing Fund Contributions, you agree to conduct your own local advertising of your Nail Studio, either alone or in combination a Cooperative. You must spend a minimum of one and one-half percent (1.5%) of your Gross Revenues on local advertising in addition to any amounts paid to the General Advertising and Marketing Fund. You acknowledge that it is your responsibility to market your Nail Studio, and that the General Advertising and Marketing Fund Contributions are merely used to supplement the local advertising conducted by each of our franchisees. We may, at our option, require you to submit to us for our prior approval any advertising you propose to use for the promotion of your Nail Studio. You must submit to us proof of such local advertising expenditures upon our request. If you fail to comply with this requirement, we may, at our option, spend this amount for you on local advertising and remit payment to cover the cost and expenses from you in accordance with Section 5.C. You must also purchase a representative sample of all marketing materials we prepare for brand-level promotions. We may prescribe minimum amounts of these materials that you must purchase. As used in this Agreement, the term “local advertising” shall refer to advertising related directly to the Nail Studio, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and “in-kind” promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as we, in our sole discretion, may specify. We may provide to you, in the Manual or otherwise in writing, information specifying the types of advertising and promotional activities and costs which shall not qualify as “local advertising and promotion,” including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.~~

~~ii. You must participate, if required by us, in any local, regional or national cooperative advertising group or program, consisting of other franchisees in the System and companyowned Nail~~

~~Studios, when and if any such groups are created (each, an “Advertising Cooperative”). The particular Advertising Cooperative(s) in which you may be required to participate may be designated by us in our sole discretion. Your payments to any Advertising Cooperative will be determined the participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. Franchisee, however, may not be required to spend more than one and one-half percent (1.5%) of Gross Revenues per annum in connection with any Advertising Cooperative. Amounts paid to an Advertising Cooperative shall be credited against payments you are otherwise required to make for local advertising as required by Section 6.H(i) above. You will enter into such agreements with such other franchisees in the System or us, as the case may be, as shall be necessary or appropriate to accomplish the foregoing and you will abide by such agreements and decisions that the Advertising Cooperative is authorized by us and such franchisees to make related to advertising and marketing in the area covered by the Advertising Cooperative. If you become delinquent in your dues or other payments to the Advertising Cooperative or fails to abide by any agreements or authorized decisions of the Advertising Cooperative, such delinquency or failure shall be deemed a material breach of this Agreement. We may, upon thirty (30) days’ written notice to you, suspend or terminate an Advertising Cooperative’s program or operations. As a member of any Advertising Cooperative, at our request, you will provide to us all information requested by us related to such Advertising Cooperative within ten (10) days after our request therefor.~~

~~**I.—Opening Marketing Supplies.** Before opening your Nail Studio, you will purchase initial business supplies and marketing materials, including business cards, thank you notes, studio intake forms, appointment reminder cards, business stationery (letterhead) and similar items. We will provide recommended suppliers for these opening supplies and any additional marketing materials. If you order items other than those we have approved, you must obtain our prior approval of those items.~~

FRENCHIES-STUDIO PREMISES

~~**A.—Site Acquisition.** Before the acquisition by lease or purchase of the site for your Nail Studio, you will submit information and materials that we require to us, which may include, but not be limited to, your proposed lease. We will have thirty (30) business days after receipt of the information and materials we requested to approve or disapprove your proposed site. We may condition our approval of any proposed Lease on, among other things, your execution (and your landlord’s execution) of our current lease terms and provisions that we may reasonably require, including without limitation, a Collateral Assignment that: a.) grants us the right—but not the obligation—to assume the Lease if you default on the Lease or if this Agreement is terminated, transferred, or expires; and b.) authorizes and requires your landlord to disclose to us, on our request, sales and other information you have furnished to your landlord. No site will be deemed approved unless we have expressly approved it in writing by notice of site approval sent to you. Our current form of Collateral Assignment of Lease is set forth in **Exhibit C** to this Agreement. Our examination and approval of the location of your Nail Studio site does not constitute a representation, guaranty, or warranty, express or implied, of your Nail Studio’s successful operation or profitability at that location. In addition, we may require you to furnish us with a copy of the signed lease and Collateral Assignment of Lease within five (5) days after its execution.~~

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

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

~~i. — The request for relocation must be made in writing, stating the new location, received by us at least sixty (60) days before the date of intended relocation, and be accompanied by a relocation fee of \$1,000 (the “**Relocation Fee**”). The new location must be within the Protected Territory, and it may not be located within any territory we grant to any other franchisee. We~~

~~will refund the Relocation Fee to you if we do not approve your new location. In addition to the Relocation Fee, you will be responsible for any expenses we incur in facilitating your relocation.~~

~~ii. — Upon receipt of our approval, you must upgrade the new space to comply with all of our current specifications, and construct the new premises in the manner required under **Section 9.A.**~~

~~iii. — Following your relocation, we (or our designee) will conduct a security inspection of the premises to assure all security equipment has been properly installed.~~

OUR OBLIGATIONS/TRAINING

~~A. — **Location.** We will provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your Nail Studio as described above.~~

~~B. — **Prototype Floor Plan.** Before you begin construction of your Nail Studio, we will provide you with a prototype floor plan and a list of the equipment, displays, fixtures, and furnishings for setting up or remodeling your studio. It will then be your obligation to conform the prototype plans to your space, and to construct your premises according to the provisions of this Agreement and in compliance with all local laws.~~

~~C. — **Initial Management Training.** We will, at our expense, provide an initial management training program to educate and acquaint you and up to one additional member of your management team with the business of operating a FRENCHIES studio. The training program will include instruction on basic operating skills and other topics we select. If you have more than one (1) Franchise Agreement with us, we may, at our option, provide this training program one (1) time for multiple agreements. Before you open your Nail Studio, the person you designate as your principal operator (whether you, if you are an individual, or a person designated by you and approved by us if you are an entity) (the “**Principal Operator**”) must attend—and successfully complete—one of the next two (2) initial management training programs we offer after our acceptance of this Agreement. In addition, someone owning more than a ten percent (10%) interest in your Nail Studio and signing or guaranteeing this Agreement, if other than the Principal Operator (a “**Principal Owner**”), must also attend—and successfully complete—one of these next two (2) initial management training programs. If anyone other than a Principal Owner attends this training program, we will require they sign a confidentiality agreement that meets our requirements before they attend and you must provide us a copy of that agreement. The period of the training program will be at our discretion, but generally will be for a total of one (1) to two (2) weeks and will be scheduled by us in our discretion. You will be responsible for travel costs, room and board, salaries, fringe benefits, and other expenses incurred by~~

~~you and your employees in attending the training program. We may provide this training virtually or at a location that we designate, in our discretion.~~

~~**D. — Advertising and Promotional Materials.** We will review and have the right to approve or disapprove all advertising and promotional materials that you propose to use, pursuant to the terms of this agreement. If established, we will administer the General Advertising and Marketing Fund.~~

~~**E. — Annual Conference.** Once we begin holding annual franchise conferences, a Principal Owner is required to register for and attend our annual conference annually. The Principal Owner must register and pay the fee we set each year for this conference at least one hundred twenty (120) days before the start of the conference. If the Principal Owner cannot attend the conference, we will consider allowing you to transfer the registration to your Principal Operator, but to no other person. Additional representatives of yours may also attend the conference, as long as you register them and pay the registration fee for their attendance. You must also pay for all travel and living expenses incurred by you and your representatives in attending the conference. If you fail to register for the annual conference, we will bill you for the “early bird” (or similar) conference fee after the conference.~~

~~**F. — Regional and Additional Training.** We may, in our discretion, provide certain regional training programs at a location we designate. This program may be a live or virtual event. Should we provide a regional training program in your area, you (or your Principal Owner and Principal Operator), and any manager for your Nail Studio (if we require it) must attend the regional training program. You must pay our then-current charges for attending the regional training program, along with all travel and living expenses that you and your employees incur. We may make available additional training that we deem advisable to familiarize you and your management team on changes and updates in the System, and/or on System fundamentals refresher training, and charge our then-current registration fees for attendance at this training. You will be responsible for paying for all travel and living expenses that you and your employees incur.~~

~~If we determine, in our sole discretion, that you are in need of additional supervision or supplemental training, we may require that you receive such training from us, in which case you agree that you shall pay our then-current per diem charges and out-of-pocket training expenses, which shall be as set forth in the Manual or otherwise in writing. If you request that we provide additional supervision or supplemental training (and we agree in our sole discretion to provide such training), then you further agree that you shall pay our then-current per diem charges and out-of-pocket training expenses, set forth in the Manual or otherwise in writing.~~

~~**G. — List of Suppliers.** We will, in the Manual (or otherwise in writing as determined by us), provide you with a list of suppliers designated and/or approved by us to supply products, equipment, signage, materials and services to franchisees in the System.~~

~~**H. — Manual.** We will loan you one copy of the manual in which we describe the System operational policies, standards, requirements, and practices (the “Manual”). The Manual may be loaned to you by providing you access to an electronic version of the Manual. The Manual contains mandatory and suggested specifications, standards and operating procedures for Nail Studios. You must operate your Nail Studio in compliance with all mandatory provision of the Manual at all times. We have the right to revise the Manual at any time or add additional manuals. You will incorporate all revisions into the Manual, and at all times the Manual (including any additional manuals) will remain on the premises of your Nail Studio. You will not make copies of any portion of the Manual without our prior written consent. You will operate your studio in conformance with all mandatory provisions~~

~~of the manual(s). You acknowledge that the manual(s) are designed to protect our standards and systems and our Marks, and not to control the day-to-day operation of your Nail Studio.~~

~~**I. — Mystery Shopping; Inspections.** We may, as we deem advisable, inspect or arrange a mystery shopping service, to periodically inspect or shop your Nail Studio during the term of this Agreement. We will provide those results to you so that you can make any changes necessary to improve the service experience for your customers.~~

~~**J. — Other Ongoing Assistance.** During the operation of your Nail Studio, we will make available to you from time to time all changes, improvements, and additions to the System and all supplements and modifications to the Manual, and will make a representative available to speak with you on the telephone, or, at our option, through electronic means, during regular business hours, to discuss your operational issues and support needs.~~

~~**K. — Nature of Assistance and Training.** You acknowledge and agree that any duty or obligation imposed on us by this Agreement may be performed by any distributor, designee, employee, or agent of us, as we may direct. You agree that we are not obligated to provide any training or assistance to your particular level of satisfaction, but as a function of our experience, knowledge, and judgment. You also acknowledge that we are not obligated to provide any services to you that are not set forth in this Agreement. If you believe we have failed to adequately provide any pre-opening services to you or to your employees, whether with respect to site selection, selection and purchase of equipment and supplies, training, or any other matter affecting the establishment of your Nail Studio, you must notify us in writing within thirty (30) days following the opening of your Nail Studio or you will be deemed to have conclusively acknowledged that all pre-opening and opening services required to be provided by us were sufficient and satisfactory in your judgment, and complied with all representations made to you.~~

~~APPEARANCE AND OPERATION OF YOUR NAIL STUDIO~~

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

~~**A. — Construction.** Your Nail Studio must be developed in accordance with applicable laws, regulations, codes, and other governing requirements, as well as the mandatory specifications (the “Mandatory Specifications”) that we provide to you. You may not begin construction of your Nail Studio until you have received our written consent to your actual design for your Nail Studio. You will be required to supply us with accurate site information for your proposed location. This information will include, but not be limited to, as-built drawings, surveys, technical data, construction documents, and site plans.~~

- ~~i. — Promptly after you have obtained possession of the site for your Nail Studio, you will: (i) retain the services of a licensed and qualified architect or design professional(s) to create a complete set of detailed construction documents in strict accordance with our Mandatory Specifications and to complete construction of your facility in accordance with the Mandatory Specifications; (ii) retain the services of a general contractor; (iii) have prepared and submitted for our approval a site survey and basic architectural plans and specifications consistent with our~~

~~Mandatory Specifications; (iv) purchase or lease, and then, in the construction of your Nail Studio, use only the building materials, equipment, fixtures, furniture, and signs we have approved; (v) complete the construction or remodeling using equipment, fixtures, furniture, and signage in full and strict compliance with the plans and specifications we approve, and with all applicable ordinances, building codes, and permit requirements without any alterations; (vi) obtain all customary contractors' sworn statements and partial and final waivers; and (vii) obtain all necessary permits, licenses, and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment, and premises, including, but not limited to, the Americans With Disabilities Act. If this Agreement represents the first FRENCHIES studio you will build, or if under any previous franchise agreement you or any of your affiliates had with us, you or any of your affiliates did not meet your obligations regarding the build-out of the previous FRENCHIES studio(s), we reserve the right to require you to retain the services of an architect or design company we select to assist you in submitting, processing, monitoring, and obtaining in a timely manner all necessary construction documents, licenses, and permits, and to assist you through construction, and you will be responsible for payment for their services.~~

- ~~ii. If your Nail Studio is not constructed strictly according to the plans we have approved and our Mandatory Specifications, we may not approve you to open for business. If we do not approve your opening, you will have thirty (30) days from the date we deny your requested approval for opening to correct all the construction problems so that your Nail Studio is strictly constructed according to our approved plans. If you fail to correct the problems within this thirty (30) day period, we may immediately terminate this Agreement. If your Nail Studio opening is delayed for these or any other reasons, you will be responsible for any losses or costs relating to the delay.~~
- ~~iii. You will make no changes to any building plan, design, layout, or decor, or any equipment or signage in your Nail Studio without our prior written consent, and these changes may not be contrary to the Mandatory Specifications.~~

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

~~**C. Services.** You will conform to all quality and customer service standards prescribed by us in writing, provided that the standards are not specifically set for you, but are set for our entire system, or a specific region or market in which other FRENCHIES studios are operating. You will sell or offer to sell only those products and services as approved by us. Such items shall be subject to change from time to time as we may determine solely in our discretion. You must obtain our written approval for any contemplated changes, including all additions to and/or deletions of products and services sold in the Nail Studio. Moreover, we may, in the exercise of our reasonable business judgment and to the extent permitted by applicable law, establish specific prices for product and service offerings, or a range of acceptable prices, or minimum advertised pricing that, in any case, shall be adhered to by you and all other similarly situated FRENCHIES studios.~~

~~D.—Maintenance of Premises.~~ You will paint and keep the interior and exterior of your Nail Studio premises in an attractive, clean, and sanitary condition. All equipment will be kept in good working order and will meet our quality standards.

~~E.—Technology.~~

~~i.—Computer Systems and Required Software.~~ The following terms and conditions shall apply with respect to the Computer System and Required Software:

~~a.—~~ We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, cloud based systems, website portals, and hardware be used by, between, or among FRENCHIES studios, including without limitation: (a) back office and point of sale system, data, audio, video, and voice storage, retrieval, and transmission systems for use at FRENCHIES studios, between or among FRENCHIES studios, and between and among the Nail Studio and us and/or you; (b) point of sale system; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the “**Computer System**”).

~~b.—~~ We have the right, but not the obligation, to develop or have developed for us, or to designate: (a) computer software programs, cloud-based system software, website portal programs and accounting system software that you must use in connection with the Computer System (“**Required Software**”), which you shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install; (c) the tangible media upon which such you shall record data; and (d) the database file structure of your Computer System.

~~c.—~~ You shall record all sales on a cloud-based point of sale and payments studio management processing software and system designated and approved by us in the Manual or otherwise in writing, which shall be deemed part of your Computer System.

~~d.—~~ You shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as we may request in writing (collectively, “**Computer Upgrades**”).

~~e.—~~ You must comply with all specifications issued by us with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. You shall also afford us unimpeded access to your Computer System and Required Software as we may request, in the manner, form, and at the times requested by us. In no way limiting the foregoing, we shall provide you with access to any web-based video feed of the Nail Studio.

~~f.—~~ You will comply with specifications issued by us with respect to video camera installation and operation in the Nail Studio, including granting us access to any video camera feed in any manner we may so require.

~~ii.—Data.~~ We may, from time to time, specify in the Manual or otherwise in writing the information that you shall collect and maintain on the Computer System installed at the Nail Studio, and you will provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to the Nail Studio, and all data created or collected by you in connection with the System, or in connection with your operation of the

~~business (including without limitation data pertaining to or otherwise concerning the Nail Studio customers) or otherwise provided by you (including, without limitation, data uploaded to, or downloaded from your Computer System) is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you for the term of this Agreement, at no additional cost, solely for your use in connection with the business franchised under this Agreement.~~

- ~~iii. **Privacy.** You must abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals (“**Privacy**”), and will comply with our standards and policies pertaining to Privacy. If there is a conflict between our standards and policies pertaining to Privacy and applicable law, you will: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel as we may request to assist us in its determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy within the bounds of applicable law.~~

- ~~iv. **Telecommunications.** You will comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Intranet (as defined below), if any, and/or such other computer systems as we may reasonably require.~~

- ~~v. **Intranet.** We may establish a website providing private and secure communications between us, you, franchisees, licensees and other persons and entities as determined by us, in its sole discretion (an “**Intranet**”). You shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Nail Studio. The Intranet may include, without limitation, the Manual, training or other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You will purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.~~

- ~~vi. **Changes to Technology.** You and we acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree that you will abide by those reasonable new standards established by us as if this Section 9.E was periodically revised by us for that purpose.~~

- ~~vii. **Technology Fee.** Beginning at the time you sign your lease for your Nail Studio, you will be required to pay to us (or our designee) our then current Technology Fee for the license and ongoing support for our designated studio management software, for email hosting, for access to our online franchisee information and learning management system, and for such other technology as we may designate or license for your use in the Nail Studio. You will also be required to pay our then current one-time set-up Technology Fee at the time you sign your lease. This Technology Fee may change from time to time. If we do not directly provide these services, you will be required to sign a separate agreement with our designated provider of these services (which may be an affiliate of ours).~~

~~**F.—Payment of Amounts You Owe Us or Our Affiliates.** You agree that your obligation to pay all amounts owing to us and to our affiliates is independent of any other obligation either of us have in this Agreement, and that all amounts owing to us and to our affiliates, and to your other suppliers, lessors, and creditors, must be timely paid. You agree to sign and deliver to us, our bank(s), and your bank, as necessary, all forms and documents that we request to permit us to debit your account, either by check, via electronic funds transfer, or other means or methods as we may designate (“**Payment Methods**”) for all fees and payments due to us and to our affiliates. You will notify us at least twenty (20) days before closing or changing the account against which these debits are to be made. If the account is closed or ceases to be used, you will immediately provide all documents and information necessary to permit us to debit the amounts due from an alternative account. You acknowledge that these requirements are only a method to facilitate prompt and timely payment of amounts due and will not affect any obligation or liability for amounts owed.~~

~~i.—If any check that you submit to us is returned for insufficient funds, or if we are unable to collect funds via the Payment Methods due to insufficient funds, you will pay us an Insufficient Funds Fee of \$100 for each returned check and each time we were unable to collect monies via the Payment Methods.~~

~~ii.—You grant us a first priority security interest in your receivables and equipment, whether now existing or hereinafter created, together with all proceeds of the assets. You authorize us to file one or more financing statements to evidence this security interest. However, we will subordinate our first priority interest to a lending institution that provides you financing for your Nail Studio.~~

~~**G.—Customer Transfers.** You must participate in any customer transfer policy established by us in the Manual or otherwise in writing in the event a customer transfers from one FRENCHIES studio to another, which shall include the provision of paid for services and the facilitation of payment transfers in connection therewith. In no way limiting the foregoing, you shall fully honor all customer purchases of services regardless of which FRENCHIES studio originally accepted payment.~~

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

~~i.—You acknowledge that the mandatory standards, specifications, and policies we establish are not aimed at the day to day operation of your studio, which will solely be within your control, but are merely intended to preserve the goodwill of the System and Marks.~~

~~ii.—Periodically, as we deem appropriate, a representative of ours may visit your Nail Studio to ensure compliance with our required standards, specifications, and procedures. You will allow our representative to inspect the condition and operation of your Nail Studio and all areas of your Nail Studio at any time during your business hours. These inspections may include, without limitation, conducting any type of audit or review necessary to evaluate your~~

~~compliance with all required payments, standards, specifications, or procedures. We may also designate an independent evaluation service to conduct a “mystery shopper” quality control and evaluation program with respect to our or affiliate owned and/or franchised FRENCHIES studios. You agree that the Nail Studio will participate in such mystery shopper program, as prescribed and required by us, provided that corporate owned, affiliate owned, and franchised FRENCHIES studios also participate in such program to the extent we have the right to require such participation.~~

~~a. We will have the right to require you to pay the then current charges imposed by such us to reimburse our costs or the then current charges of any inspection or evaluation service with respect to inspections of the Nail Studio, and you agree that you shall promptly pay such charges.~~

~~b. We will provide you a copy of the report at your request. If your Nail Studio does not receive a passing score from a visit, we may conduct new inspections until you have received a passing score.~~

~~c. We may, from time to time, make suggestions and give mandatory instructions about your operation of your Nail Studio, as we consider necessary or appropriate to ensure compliance with the then current quality standards of the System and to protect the System’s goodwill and image.~~

~~d. You expressly agree that these visits will not imply that you are in compliance with your obligations under this Agreement or under the law or that we waive our right to require strict compliance with the terms of this Agreement or the Manual. Furthermore, these visits will not create any responsibility or liability in our part.~~

~~e. If you request that we make additional visits to your Nail Studio, you will pay the fees we establish for those visits.~~

~~iii. You must participate in all customer surveys and satisfaction audits, which may require that you provide discounted or complimentary products or services, provided that such discounted or complimentary sales shall not be included in the Gross Revenues of the Nail Studio. Additionally, you must participate in any complaint resolution and other programs as we may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.~~

~~iv. If you fail to maintain the premises of your Nail Studio in a condition that satisfies our reasonable requirements, or if you otherwise fail to comply with any provision of this Agreement, we may, upon not less than three (3) days’ notice to you, order or accomplish the cleaning of the premises or designate one of our representatives to assist you in fulfilling your obligations under this Agreement. You will be responsible to pay us for all costs we incur in doing so and all fees we set for providing assistance to you. Our action in exercising this option~~

~~does not relieve you from your obligation to properly maintain the premises of your Nail Studio and to comply with the terms of this Agreement, each of which will be your sole responsibility.~~

I. Compliance with Laws. You will, at your expense, comply with all applicable local, state, federal, and municipal laws, ordinances, rules, and regulations pertaining to the operation of your Nail Studio, including, without limitation, any and all licensing and bonding requirements;

health and safety regulations, and the Americans with Disabilities Act. You will, at your expense, consult an attorney to obtain advice about compliance with all federal and state licensing laws and all other laws relating to the operation of your Nail Studio. Further, you will, at your expense, be exclusively responsible for determining the licenses and permits required by law for your Nail Studio, for filing, obtaining, and qualifying for all licenses and permits, and for maintaining all necessary licenses and permits throughout the term of this Agreement.

J.—Payment of Liabilities. You will timely pay all of your obligations and liabilities, including, without limitation, those due and payable to us and our affiliates and to your suppliers, lessors, and creditors.

K.—Taxes. You will promptly pay all federal, state, and local taxes arising out of the operation of your Nail Studio. We will not be liable for these or any other taxes and you will indemnify us for any taxes that may be assessed or levied against us that arise or result from your Nail Studio, including any taxes imposed by your state on any royalties or other amounts you are required to pay to us and our affiliates.

L.—Personnel. You are responsible for hiring personnel sufficient to operate your Nail Studio. You must, at your cost, conduct criminal background checks on each employee (unless prohibited by law) before they begin providing any services in your Nail Studio. In addition:

- i.—The people you retain to work in your Nail Studio will be your agents and employees. They are not our agents or employees and we are not a joint employer of these people. It will be up to you to determine who to retain, how many people to retain (subject to any minimum staffing requirements we may prescribe), how you compensate these people, terms of employment and working conditions for your employees, when and how to discipline the people you hire, and when and how to terminate the people you hire. You are required at all times to comply with all applicable employment laws. We will not have any duty or obligation to operate your Nail Studio, to direct your employees, or to oversee your employment policies, procedures, or practices. The fact we offer training to your employees from time to time does not relieve you from the primary responsibility to assure your employees are trained properly.
- ii.—You will designate an individual to serve as the Principal Operator of your Nail Studio. The Principal Operator will devote his or her best efforts to the supervision and conduct of the development and operation of your Nail Studio. The Principal Operator, Principal Owner (if other than the Principal Operator), must complete our initial training requirements and all additional training as we may reasonably designate.
- iii.—You will be solely responsible for all wages, travel, and living expenses, and all other costs incurred by you and your employees in connection with any training or instruction that we provide.
- iv.—You will obtain from each person you hire as a Principal Operator or as a Studio Manager of your Nail Studio (and all other persons performing similar functions, regardless of their title), a Confidentiality Agreement, enforceable by you and us, and in a form we approve, in which they agree, among other things, to maintain in confidence all confidential information and trade secrets we provide to them, not to use any of the Marks except in the performance of their duties in the Nail Studio, and to refrain, for the maximum period of time as allowed by local law after they leave your employment, from providing nail care within five (5) miles of your Nail Studio.

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

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

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

~~**P. Notices of Default; Lawsuits or Other Claims.** You will immediately notify us of—and deliver to us a copy of—any notice about a breach, default, claim, lawsuit, administrative or agency proceedings or investigations, or other actions or proceedings relating to your Nail Studio. Upon request from us, you will provide additional information as may be required by us about the same.~~

~~**Q. Your Dealings with Us and Our Affiliates.** You acknowledge that when we are required to perform any services for you, we may use any third parties, including affiliates of ours, to perform those services. If you are required to pay us a fee for those services, we may have you pay that fee directly to the affiliate or third party that performs the service. However, if you are not required to pay us a fee for the service, you will not be obligated to pay any parties we contract with for services that we are required to provide to you without charge under this Agreement. We (and our affiliates) may also receive rebates or compensation from other parties in connection with the provision of such services.~~

~~**R. Purchases.** You will purchase only the types, models, or brands of fixtures, furniture, equipment, inventory, supplies, and other items that we approve for FRENCHIES studios as meeting our standards for quality, design, warranties, appearance, function, and performance. Although we do not do so for every item, we have the right to approve the manufacturer of any item used in the operation of your Nail Studio. You will not install or maintain at your Nail Studio any newspaper racks, video games, jukeboxes, gaming machines, gum machines, vending machines, video, or similar devices without our, and any necessary governmental, prior written approval. We may require you, in our sole discretion, to purchase certain fixtures, furniture, equipment, inventory, supplies, services, and other items used or offered at your Nail Studio from suppliers who have been approved by us, in which case we will provide you with a list of approved suppliers.~~

- ~~i. Notwithstanding anything to the contrary in this Agreement, you will purchase all of your requirements of products bearing the Marks or products unique to the System and/or us (“**Proprietary Products**”) from us or our designee(s) (through such distributor or distributors as we may designate). We will have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time~~
- ~~ii. You acknowledge and agree that certain products, supplies, or other services you may be required to purchase for use in the operation of your Nail Studio may only be available exclusively from us or our affiliates, or from other mandatory suppliers or vendors that we approve, in our sole discretion.~~
- ~~iii. You must purchase all of the nail care supplies and equipment you use in your Nail Studio, and all retail products you sell in your Nail Studio, from us or from our designated suppliers. Payment will be due on all purchases before shipment.~~
- ~~iv. If you desire to purchase any products (except for Proprietary Products) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by us, you must first submit to us a written request for authorization to purchase such items. You shall not purchase from any supplier until, and unless, such supplier has been approved in writing by us. We may deny such approval for any reason, including our determination to limit the number of approved suppliers. You must submit to us such information and samples as we may reasonably require, and we shall have the right to require periodically that our representatives be permitted to inspect such items and/or supplier’s facilities, and that samples from the proposed supplier, or of the proposed items, be delivered for evaluation and testing either to us or to an independent testing facility designated by us. Permission for such inspections shall be a condition of the initial and continued approval of such supplier. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by us. We may also require that the supplier comply with such other requirements as we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees. Nothing in the foregoing shall be construed to require us to approve any particular supplier, nor to require us to make available to prospective suppliers, standards for approval and/or specifications for formulas, which we shall have the right to deem confidential.~~
- ~~v. **THOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO FIXTURES, FURNITURE, EQUIPMENT (INCLUDING WITHOUT**~~

~~LIMITATION ANY AND ALL REQUIRED COMPUTER SYSTEMS), SUPPLIES, INVENTORY, OR OTHER APPROVED ITEMS SUPPLIED BY THIRD PARTIES.~~

~~**S. Taxes on Fees.** If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you are required to pay an additional amount equal to the amount of this tax. (For purpose of clarification, this does not apply to any federal or Colorado income taxes that we or our affiliates are required to pay.)~~

~~**T. National and Regional Accounts.** We, or others acting on our behalf, may from time to time solicit companies or organizations to offer fixed pricing packages to their employees. You will have the right to participate in, and receive the benefits of, all programs we establish with companies or organizations that have employees in your market. You will have the right each calendar year, by October 31, to “opt out” of participating in these programs for the next year. If you do not opt out by the means we specify, then you must honor the pricing that we quote for any employees of these companies or organizations who seek to use the services of your Nail Studio. Once you opt out, you will not participate in any new programs (unless and until you opt in again), but you must continue to comply with the program requirements for any programs that were in effect before the start of the year for which you exercised your right to opt out of the programs.~~

~~**U. Five-Year Refurbishment and Renovations.** At our Franchisor’s request, but not more often than once every five (5) years, unless sooner required by your lease, you shall materially 60 months (and in addition to any work which you may undertake pursuant to other Sections of this Agreement), you shall refurbish the ~~Premises~~ Franchised Location, at your own expense, to conform to ~~our~~ the building design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current public image for new or remodeled FRENCHIES-studios. Such refurbishment may include structural changes, installation[®] Studios in the System, including, without limitation, replacement or renovation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as we may specify. This provision shall not limit the requirement that you maintain all fixtures, furnishings, equipment, décor, and signs as we may prescribe from time to time in the Manual(s) or otherwise in writing. You will make such changes, upgrades and replacements as we may periodically require, in the timeframes specified by us, and reasonable structural changes that Franchisor may reasonably require or that may be required by law.~~

~~**V. Compliance with Lease.** You must comply with all terms of your lease or sublease, your financing agreements (if any), and all other agreements affecting the operation of the Nail Studio; shall undertake best efforts to maintain a good and positive working relationship with your landlord and/or lessor; and shall not engage in any activity which may jeopardize your right to remain in possession of, or to renew the lease or sublease for, the Premises.~~

~~**W. Non-Disparagement.** You will not communicate or publish, directly or indirectly, any disparaging comments or information about us during the term of this Agreement or thereafter. This provision shall include, but not be limited to, communication or distribution of information through the Internet via any social or other electronic media.~~

~~**X. Entities.**~~

~~**i. List of Principals.** If you are a corporation, limited liability company, or partnership, each owner of you, and the ownership interest of each owner in you, shall be identified in the Rider hereto. You must maintain a list of all owners and immediately furnish us with an update to the information contained in the Rider upon any change, which shall be made only in~~

~~compliance with Section 13. The Principal Owner shall at all times have at least a ten percent (10%) interest in you.~~

~~ii. **Personal Guaranty.** Each owner shall execute a personal guaranty of your covenants and obligations under this Agreement in the form attached hereto as Exhibit A.~~

~~iii. **Corporations and Limited Liability Companies.** If you or any successor to or assignee of you is a corporation or a limited liability company, you shall comply with the following requirements:~~

~~a. You shall be newly organized and your governing documents shall at all times provide that its activities are confined exclusively to operating the Nail Studio.~~

~~b. You shall, upon our request, promptly furnish to us copies of your articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.~~

~~c. You shall maintain stop-transfer instructions on its records against the transfer of any equity securities of you; and each stock certificate or issued securities of you shall conspicuously include upon its face a statement, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this section shall not apply to a publicly held corporation.~~

~~iv. **Partnerships and Limited Liability Partnerships.** If you or any successor to or assignee of you is a partnership or limited liability partnership, you shall comply with the following requirements:~~

~~a. You shall be newly organized and your partnership agreement shall at all times provide that your activities are confined exclusively to operating the Nail Studio.~~

~~b. You shall furnish us with a copy of its partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto.~~

~~c. The partners of the partnership shall not, without our prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.~~

~~CONFIDENTIAL INFORMATION AND IMPROVEMENTS~~

~~A. You acknowledge that all the information you have now or obtain in the future about the System and the concepts and methods of promotion franchised under this Agreement is derived from us under this Agreement, and that you will treat the information in confidence. You agree never to, directly or indirectly, engage in or abet the misappropriation (as the term “misappropriation” is defined in the Colorado Uniform Trade Secrets Act, C.R.S. § 7-74-101 *et seq.*), or the disclosure, divulgence, or distribution of all or any part of the System and the concepts and methods of promoting franchises under this Agreement. You will disclose the confidential information only to those of your employees as must have access to it in order to operate your Nail Studio and use it only for the operation of your Nail Studio. At our request, you will be required to deliver to us confidentiality agreements and non-compete agreements in a form satisfactory to us from your owners, the spouses of your owners, and your employees. The scope of the confidentiality agreements will be consistent~~

~~with the provisions of this Section, and the scope of the non-compete agreements will be consistent with the provisions of Section 17 of this Agreement.~~

~~**B.**—Notwithstanding any provision of Section 10.A, at your discretion, you may allow any financial institution that has loaned money to you or to your business to have access to your books and records to confirm your billings, collections, receivables, and any other financial information you have provided to the financial institution.~~

~~**C.**—If you conceive or develop any improvements or additions to the System, new trade names, trade and service marks, or other commercial symbols related to your Nail Studio, or any advertising and promotion ideas related to your Nail Studio (“Improvements”), you will fully disclose the Improvements to us without disclosure of the Improvements to others, and you will obtain our written approval before using the Improvements. Any Improvement that we approve may be used by us and all our other franchisees without any obligation to pay you royalties or similar fees. You will assign Improvements to us, and hereby do assign, without charge, any rights, together with the goodwill associated with the Improvements, including the right to grant sublicenses to any such Improvement. We, at our discretion, may make application for and own copyrights, trade names, trademarks, and service marks relating to any Improvement. We also may consider the Improvement as our property and trade secret. We will, however, authorize you to use any Improvement authorized generally for use by our other franchisees.~~

INSURANCE; INDEMNIFICATION

~~**A.**—**Insurance.** You alone will be responsible for any claim, action, loss, damage, liability, injury, or death arising out of, or relating to, the operation of your Nail Studio or arising out of, or relating to, your acts or omissions or the acts or omissions of any of your agents, employees, or contractors in connection with the operation of your Nail Studio. You agree to indemnify and hold us and our affiliates and our respective officers, directors, shareholders, members, managers, employees, agents, successors, and assignees harmless against and from any and all claims, actions, losses, liability, damages, injuries, or deaths, including costs and reasonable attorneys’ fees. You will obtain and maintain in force and pay the premiums for general liability insurance with complete operations coverage, broad form contractual liability coverage, property damage, and other insurance (including bonds) in types as we may require or as required by law from time to time. All policies will have minimum limits we may prescribe from time to time, and will be with carriers who have minimum ratings that we may prescribe from time to time. The insurance policies will expressly protect both you and us and will require the insurer to defend both you and us in any action you will submit to us, within thirty (30) days of our request, any and all loss ratios or other information we request in connection with such insurance policies. You will furnish to us a certificate of insurance as set forth above, naming us as an additional insured, and providing that the policy will not be canceled, amended, or modified except upon thirty (30) days’ prior written notice to us. At our request, you will deliver to us original certificates of insurance and evidence of policy renewals at least thirty (30) business days before expiration. You will have all policies of insurance provide that the insurance company will have no right of subrogation against either party to this Agreement or their respective agents or employees. Maintenance of the insurance requirement will not relieve you of the obligations of indemnification. If you fail to obtain or maintain in force any insurance as required by this Section or to furnish any certificate of insurance required under this Agreement, we may (but have no obligation to), in addition to all other available remedies, obtain the insurance or certificates, and you will promptly reimburse us for all insurance premiums and other costs incurred in obtaining the insurance, including an~~

administrative fee for our time in obtaining the coverage for you. You assume all risks in connection with the adequacy of any insurance or self-insurance program and waive any claim against us for any liability costs or expenses arising out of any uninsured claim, in full or in part, of any nature whatsoever.

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

~~**C. — Your Indemnification.** You assume sole and complete responsibility for and will defend at your own cost and indemnify, reimburse, and hold harmless us, our affiliates, and our respective officers, directors, shareholders, members, managers, employees, agents, successors, and assignees from and against all loss, costs, expenses, obligations, and damages and liabilities (including defense costs) (“**Claims**”), including any and all taxes, arising directly or indirectly out of the development or operation of your Nail Studio, including, without limitation, claims relating to: (a) the operation of your Nail Studio, including the use, condition, construction and build-out, equipping, decorating, maintenance, or operation of the Nail Studio premises, the sale of any products and services, and your advertising; (b) the use of the Marks and other proprietary material; (c) this Agreement or any Franchise Agreement and/or any Area Development Agreement, or the operation of your Nail Studio(s) in any manner inconsistent with those agreements or any other agreement you sign with us; (d) the infringement, alleged infringement, or any other violation or alleged violation by you or any of your principals of any patent, mark, or copyright or other proprietary right owned or controlled by third parties; or (e) libel, slander, or any other form of defamation of us, the System, or any franchisee or developer operating under the System, by you or by any of your principals. You will have the right to defend any claim against you. “**Claims**” will mean and include all obligations, actual, consequential, punitive, and other damages, and costs reasonably incurred in the defense of any action, including attorneys’, attorney assistants’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through you to us. We, using our own counsel, by notice to you, may control any matter in which we are named or directly affected, but this will not affect your liability to pay reasonable attorneys’ fees we incur in defending ourselves, which obligation is part of your indemnification obligation. The indemnities and assumptions of liabilities and obligations set forth in this Agreement will continue in full force and effect subsequent to the expiration or termination of this Agreement.~~

~~FINANCIAL STATEMENTS AND AUDIT RIGHTS~~

~~**A. — Financial Information, Reports, Inspections, and Audits.** Following the opening of your Nail Studio, by Monday of each week, you will provide us with weekly sales information from the Nail Studio. In addition, within thirty (30) days following your fiscal year end, you will provide us~~

~~with copies of your financial statements (reviewed by your accountant), including an income statement for the fiscal year just ended and a balance sheet, cash flow statement, and any other document accompanying your financial statements, as of the end of the fiscal year, which financial statements will have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. We will also have the right to request other financial statements, reports, and information from you during the year, and you will deliver those financial statements, reports, and information to us when, and in the form and manner, we require.~~

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

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

ASSIGNMENT OF 6.8. Days and Hours of Operation. You shall cause the Studio to be open and in normal operation for such minimum hours and days as Franchisor may specify in the Manual or in other written directives, but no less than six days per week.

6.9. Quality Assurance Inspections; Testing. Franchisor shall have the right to enter upon the Studio premises during regular business hours to inspect the Studio for quality assurance purposes. You shall allow Franchisor from time to time to obtain samples of ingredients, products and supplies, without charge, to test for quality assurance purposes.

6.10. Modification to the System. At your own expense, you shall make such alterations, additions, or modifications to the Franchised Location as Franchisor may reasonably require to implement changes to the System, including, without limitation, changes to products, services or market positioning. You shall make all such changes within 90 days from receipt of notice. You shall not implement any modification to the System without Franchisor's express prior written consent.

6.11. Pricing. To the fullest extent permitted by applicable law, Franchisor reserves the right to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

6.12. Intranet/Extranet System. Franchisor may, at its option, establish and maintain an intranet or extranet system through which members of the FRENCHIES® franchise network may communicate and through which Franchisor may disseminate updates to the Manual and other Confidential Information. Franchisor will have no obligation to establish or to maintain the intranet indefinitely and may dismantle it at any time without liability to you. Franchisor may establish policies and procedures for the intranet's use. Franchisor expects to adopt and adhere to a reasonable privacy policy. However, you acknowledge that, as administrator of the intranet, Franchisor can access and view any communication that anyone posts on the intranet. You further acknowledge that the intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that you or any other individual may assert. If you fail to pay when due any amount payable to Franchisor under this Agreement, or if you

fail to comply with any policy or procedure governing the intranet, Franchisor may temporarily suspend your access to any chat room, bulletin board, listserv, or similar feature the intranet includes until such time as you fully cure the breach.

6.13 Website and Digital Presence. Franchisor may, but shall not be obligated to, establish and maintain a Website to provide information about the System and the goods and services that FRENCHIES® Studios provide, even though Franchisor's Website is accessible by persons in your trade area. Franchisor has sole discretion and control over the design and content of Franchisor's Website. You are not permitted to have any independent website, domain, landing page, microsite or social media identity that is not part of the FRENCHIES managed, controlled, described or defined processes related to digital media and marketing. We may create, operate, and promote FRENCHIES in a digital environment to include websites, social media accounts, blogs, advertising, franchise opportunities, store details and more. You will participate in and solely use the digital properties, domains, advertising and social tools and handles which we expressly permit. Any unapproved use of digital media will be considered a compliance issue.

7. PROPRIETARY MARKS AND COPYRIGHTS

7.1. Franchisor's Representations. Franchisor represents to you that it has the right to use and to sublicense to you the right to use the Proprietary Marks in accordance with the terms and conditions of this Agreement.

7.2. Acknowledgments. You expressly acknowledge that Franchisor or its Affiliate owns all right, title, and interest in and to the Proprietary Marks and the goodwill associated with the Proprietary Marks, and that you have no ownership interest in the Proprietary Marks. You agree not to use any other Proprietary Marks or any marks, names or indicia of origin that are or may be confusingly similar to the Proprietary Marks in your own corporate or business name except as authorized in this Agreement. You further acknowledge and agree that any and all goodwill associated with the Studio and identified by the Proprietary Marks is Franchisor's property and shall inure directly and exclusively to the benefit of Franchisor and that, upon the expiration or termination of this Agreement for any reason, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the Proprietary Marks. You understand and agree that any use of the Proprietary Marks other than as expressly authorized by this Agreement, without Franchisor's prior written consent, may constitute an infringement of Franchisor's rights herein and that the right to use the Proprietary Marks granted herein does not extend beyond the termination or expiration of this Agreement.

7.3. Use of the Proprietary Marks. You shall use only the Proprietary Marks designated by Franchisor, shall use them only in the manner that Franchisor authorizes and permits, and shall use them with the symbols "®," TM," or "SM," as appropriate. You shall use the Proprietary Marks only in connection with the operation and promotion of the Franchised Business, and only in the manner prescribed by Franchisor. You may not contest ownership or validity of the Proprietary Marks or any registration thereof, or engage in any conduct that adversely affects the ownership or registration of the Proprietary Marks, or Franchisor's right to use or to sublicense the use of the Proprietary Marks. You shall execute all documents that Franchisor requests in order to protect the Proprietary Marks or to maintain their validity and enforceability.

7.4. Restriction Against Use in Your Corporate Name. You may not use the Proprietary Marks or any part thereof in your corporate name and may not use them to incur any obligation or indebtedness on Franchisor's behalf.

7.5. Restriction Against Use of the Proprietary Marks and Copyrighted Works on the Internet.

7.5.1. You may not use the Proprietary Marks or any part or derivative thereof or any of Franchisor's Copyrighted Works on the Internet, except as expressly permitted in writing. Without limiting the generality of the foregoing, you may not use the Proprietary Marks or any part or derivative of the Proprietary Marks as part of any URL or domain name and may not register as part of any username on any

website (including commercial, gaming, video sharing, user review, and social networking websites), or as part of any unauthorized email address. You also may not display on any website (including commercial, gaming, video sharing, user review, and social networking websites) Franchisor's Copyrighted Works, which include the design portion of its Proprietary Marks, or any collateral merchandise identified by the Proprietary Marks.

7.6. Notice. You shall identify yourself as an independent franchise owner of the Franchised Business in conjunction with any use of the Proprietary Marks or operation of the Franchised Business, including, but not limited to, such use on invoices, order forms, receipts, business stationery, business cards, and contracts, as well as at such conspicuous locations at the Studio as Franchisor may designate in writing. The form and content of such notice shall comply with the standards set forth in the Manuals.

7.7. Infringement. You shall promptly notify Franchisor of any suspected unauthorized use of, or any challenge to the validity of the Proprietary Marks or Copyrighted Works, or any challenge to Franchisor's or its Affiliate's ownership of, Franchisor's license to use and to license others to use, or your right to use, the Proprietary Marks or Copyrighted Works licensed under this Agreement. You acknowledge that Franchisor or its Affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks or Copyrighted Works, including any settlement thereof. Franchisor or its Affiliate has the right, but not the obligation, to take action against third parties for infringement of the Proprietary Marks or Copyrighted Works. Franchisor shall defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks or Copyrighted Works. If Franchisor, in its sole discretion, determines that you have used the Proprietary Marks and Copyrighted Works in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that you have not used the Proprietary Marks or Copyrighted Works in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by you. In the event of any litigation relating to your use of the Proprietary Marks or Copyrighted Works, you shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse you for your associated costs.

7.8. Changes to the Proprietary Marks. Franchisor reserves the right, in its sole discretion, to designate one or more new, modified or replacement Proprietary Marks for your use and to require your use of any such new, modified or replacement Proprietary Marks in addition to or in lieu of any previously designated Proprietary Marks. You must comply with any such directive within 60 days following your receipt of Franchisor's written notice to you, and you are responsible for all related costs and expenses.

8. SYSTEM, MANUALS, AND INFORMATION

8.1. Manuals. Franchisor will provide you on loan a digital copy of the Manuals. You shall operate the Franchised Business in accordance with the System Standards, methods, policies, and procedures specified in the Manuals. The Manuals shall at all times be considered the sole property of Franchisor and shall be kept in a secure digital Location. You shall ensure that your copy of the Manuals are kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor shall be controlling.

8.2. System Modification. You acknowledge that the System, Franchisor's Confidential Operations Manuals and the Manuals, and the products and services offered by the Franchised Business may be modified, (such as, but not limited to, the addition, deletion, and modification of operating procedures, products and services) from time to time by Franchisor. You agree to comply, at your expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration and modifications to existing

improvements, including structural changes. Franchisor shall notify you of any such System changes and you shall implement any System changes upon receipt of notice thereof from Franchisor and shall complete their implementation within such time as Franchisor may reasonably specify. For purposes of this Agreement, System changes shall include, without limitation, changes in any of the categories referred to in this Section 8.2. No such modification will alter your fundamental status and rights as a franchisee under this Agreement.

8.3. Confidentiality. You shall maintain the confidentiality of all Confidential Information, including without limitation Customer Information, as each of those terms are defined in this Agreement. You shall use Confidential Information only in connection with the operation of the Franchised Business and shall divulge Confidential Information only to your employees and only on a need-to-know basis. You will not disclose Customer Information and our other proprietary information, trade secrets, and Confidential Information to third parties, including entering such information into public/open Artificial Intelligence models or any other AI model that uses such information to train the Artificial Intelligence unless specifically authorized by us in writing, and you agree to strictly adhere to our privacy policies we may now, or in the future, establish with respect to Customer Information. These obligations shall survive termination or expiration (without renewal) of this Agreement. Franchisee further acknowledges and agrees that all Confidential Information, including without limitation Customer Information, is the exclusive property of Franchisor.

9. ADVERTISING AND MARKETING

9.1. General. All of your promotional and marketing materials shall be presented in a dignified manner and shall conform to Franchisor's standards and specifications related to advertising, marketing, and trademark use and be pre-approved materials created exclusively by and for FRENCHIES. Franchisees are required to use only pre-approved suppliers for print and promotional purposes to maintain the design efficacy of the Frenchies System. Franchisees are permitted to engage in organic social media and events, always following the System Standards and without seeking approval. The franchisor maintains the right to adjust permissions as necessary.

9.2. Marketing Fee. You must pay to Franchisor the **Marketing Fee** described in Section 4.4

9.3. Local Advertising. At Franchisor's election, franchisor may require you to: (a) spend the minimum amount noted on the Summary Pages in your local market to promote the Studio; or (b) pay such amounts to Franchisor, in the same manner as Royalty Fees and on such Due Date as Franchisor designates, to be spent on advertising and marketing campaigns in your market area. If Franchisor requires you to spend such amounts directly, then you shall provide proof of such expenditure according to the procedures Franchisor requires. Also, if Franchisor requires you to spend such amounts directly, then at least 30 days prior to the beginning of each calendar quarter, you must submit to Franchisor your advertising campaign and budget for Franchisor's review and approval. Of note, your Protected Area serves only to limit the physical development of another FRENCHIES studio therein and does not represent any exclusive marketing and advertising rights. The System standards serve to provide local advertising and digital advertising guidelines for best practices to attract clients, reduce overlapping efforts and work productively with neighboring studios. You are required to follow these System standards and guidelines which are subject to change at the sole discretion of the Franchisor. As a component of your Local Marketing Spend, you will pay the then current monthly MarTech Fee to the Home Office.

9.4. Loyalty Programs, Prize Promotions, and Promotional Literature.

9.4.1. You shall participate in and offer to your customers: (a) all customer loyalty and reward programs; and (b) all contests, sweepstakes, and other prize promotions; which Franchisor may develop from time to time. Franchisor will communicate to you in writing the details of each such program or promotion, and you shall promptly display all point-of-sale advertising and promotion-related information

at such places within the Studio as Franchisor may designate. You shall purchase and distribute all coupons and other collateral merchandise designated by Franchisor for use in connection with each such program or promotion.

9.4.2. Presently, we utilize a decentralized gift card program and require you to participate per the terms detailed in the Manuals. We reserve the right to modify our gift card program from time to time in our discretion, as well as our programs regarding gift certificates and/or stored value cards, loyalty cards and/or customized promotional receipts including without limitation, centralizing any such programs, which changes will be provided to you via updates to the Manuals.

9.4.3. You also shall display at the Studio all promotional literature and information as Franchisor may reasonably require from time to time. This may include, among other things, displaying signage or other literature containing information about the FRENCHIES® franchise offering.

9.4.4. You also agree to honor such credit cards, courtesy cards, and other credit devices, programs, and plans as may be issued or approved by us from time to time. Any reasonable and customary service charges or discounts from reimbursements charged on such cards or authorizations will be at your sole expense.

9.5. Participation in Marketing Programs. You shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs (including, without limitation, product give-away promotions) which may be developed and implement by Franchisor. Participation may include, without limitation, purchasing (at your expense) and using (a) point of sale materials, (b) counter cards, displays, and give away items promoting loyalty programs, prize promotions, and other marketing campaigns and programs, and (c) equipment necessary to administer loyalty programs and to prepare and print customized purchase receipts, coupons, and similar items.

9.6. Advertising Cooperatives. Franchisor may, from time to time, form local or regional advertising cooperatives (“Advertising Cooperative”) to pay for the development, placement and distribution of advertising for the benefit of Studios located in the geographic region served by the Advertising Cooperative. Any Advertising cooperatives established by Franchisor will be operated solely as a conduit for the collection and expenditure of Advertising Cooperative fees for the aforementioned purposes. If Franchisor forms an Advertising Cooperative for the region in which the Studio is located, you agree to participate in the Advertising Cooperative pursuant to the terms of this Section 9.6.

9.6.1. Franchisor shall have the exclusive right to create, dissolve and merge each Advertising Cooperative created, in its discretion, and to create and amend the organizational and governing documents related thereto; provided that such documents shall: (a) operate by majority vote, with each FRENCHIES® Studio (including Studios owned by Franchisor or its Affiliates) entitled to one vote, (b) entitle Franchisor to cast one vote (in addition to any votes it may be entitled to on account of its operation of Studios in the area served by the Advertising Cooperative, (c) permit the members of the Advertising Cooperative, by majority vote, to determine the amount of required contributions, and (d) provide that any funds left in the Cooperative at the time of dissolution shall be returned to the members in proportion to their contributions during the 12-month period immediately preceding termination.

9.6.2. You agree to be bound by all organizational and governing documents created by Franchisor and, at Franchisor's request, shall execute all documents necessary to evidence or affirm your agreement. The Advertising Cooperative shall begin operating on a date determined in advance by Franchisor.

9.6.3. No advertising or promotional plans or materials may be used by the Advertising Cooperative or furnished to its members without Franchisor's prior approval. All advertising plans and materials must conform to the Standards and must be submitted to Franchisor for approval.

9.6.4. Fees paid by you as contribution to an Advertising Cooperative established in your geographic area shall be credited towards your local advertising requirement as set forth in the Summary Pages.

10. COMPUTER SYSTEM; ACCOUNTING AND RECORDS; TAXES

10.1. Computer System. You shall acquire and use only the point-of-sale cash registers and computer systems and equipment that Franchisor prescribes for use by FRENCHIES® Studios (“Computer System”) and adhere to Franchisor’s requirements for use. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high-speed Internet connections. As technology or software is developed in the future, Franchisor may, in its sole discretion, require you to add to your Computer System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, and replace or upgrade your Computer System and software as Franchisor prescribes. You shall acquire, install and maintain such anti-virus and anti-spyware software as Franchisor requires, and shall adopt and implement such Internet user policies as Franchisor may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions that interfere with operation of the Computer System.

10.2. Software. You shall: (a) use any proprietary software programs, system documentation manuals, and other proprietary materials that Franchisor requires in connection with the operation of the Studio; (b) input and maintain in your computer such data and information as Franchisor prescribes in the Manual, software programs, documentation, or otherwise; and (c) purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever Franchisor adopts such new or upgraded programs, manuals, and materials system-wide. You shall enter into all software license agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner Franchisor prescribes, and pay all fees imposed thereunder.

10.3. Independent Access. Franchisor may independently poll Gross Revenue and other information input and compiled by your Computer System from a remote location. There is no limitation on Franchisor’s right to access this information, nor on Franchisor’s use of the information obtained via such access.

10.4. Preparation and Maintenance of Records. You shall prepare and preserve for at least five years from the date of preparation complete and accurate books, records, and accounts according to generally accepted accounting principles and in the form Franchisor prescribes. In order to obtain System-wide consistent and comparative information, Franchisor may prescribe from time to time, and you agree to abide by and use, such forms, templates, and/or methods for the preparation and submittal of financial and other Studio-related records and information.

10.5. Submission of Financial Statements and Tax Returns. No later than March 30 of each calendar year, you shall provide to Franchisor, in the manner they require and upon request (a) a copy of the previous year’s annual profit and loss statements, including local marketing spend; (b) a copy of the previous year’s sales tax returns; and (c) a copy of your federal and state income tax returns for the previous year; provided, however, that if you are an individual franchisee, you may submit only those schedules to your personal tax returns which reflect the revenues and expenses of the Franchised Business.

10.6. Submission of Performance Reports. You shall accurately report to Franchisor the Studio’s Gross Revenue, expenses, and such other financial information, as Franchisor may reasonably require, using the procedures, forms, and methods Franchisor prescribes periodically. Reports shall be due on the date prescribed by Franchisor, and shall be signed by an authorized representative, attesting to their accuracy. Within 30 days following the end of each fiscal quarter, you shall provide to Franchisor a copy of your profit and loss statements prepared according to generally accepted accounting principles and which accurately reflect your financial information for the period requested by Franchisor. You also shall provide to Franchisor such other reports, computer back-up and other information that Franchisor may reasonably request.

10.7. Audit of Franchisee Records. Franchisor or its designated agent shall have the right to audit, examine and copy your books, records, accounts, and business tax returns at any time. If an inspection or audit reveals underpayment of amounts owed to Franchisor, you shall immediately pay the understated amount with interest as provided in Section 4.9. If an audit or inspection reveals your understatement of Gross Revenues by 2% or more during any continuous six month period then, in addition to amounts due on the understatement and interest, multiplied by 1.5, you shall promptly reimburse Franchisor all costs and expenses that it incurred in connection with performing the audit or inspection (including travel, lodging and wage expenses, and attorneys' and accountants' fees).

10.8. Use of Financial Information in Franchise Disclosure Document. You acknowledge and agree that it may be in the best interest of the franchise system to share historical revenue and expense information with prospective franchisees. To that end, you hereby authorize Franchisor to publish information concerning the Studio's Gross Revenues and other information reported to Franchisor in its franchise disclosure document.

10.9. Taxes. You shall promptly pay all taxes due and owing based on your operation of the Studio and the Franchised Business including, without limitation, sales taxes, income taxes, and property taxes.

10.10 Data Security and PCI Compliance. You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of studios operating under the Proprietary Marks and System. Accordingly, you agree that you will cause the Studio to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor, the standards set by applicable privacy laws and regulations, and other regulations and industry standards applicable to the protection of customer privacy and credit card information. You are solely responsible for educating yourself as to these regulations and standards, and for achieving and maintaining applicable compliance certifications. You agree to use any computer network, intranet system, extranet system, email, and handheld devices required or authorized for use in connection with the Studio in strict compliance with our standards, protocols, and restrictions that we include in the Manuals or in our other written policies, which include but are not limited to our privacy policies, encryption requirements, data and IT security policies, including the implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies. You further agree not to violate our privacy policies or user terms on our Website. You agree to defend, indemnify, and hold us and our affiliates harmless from and against all claims arising out of or related to your violation of the provisions of this Section 10.10.

11. INDEPENDENT CONTRACTOR, INSURANCE AND INDEMNIFICATION

11.1 Independent Contractor. The parties acknowledge and agree that you are operating the Franchised Business as an independent contractor. Nothing contained in this Agreement shall create or be construed to create a partnership, joint venture, or agency relationship between the parties. Neither party shall have fiduciary obligations to the other or be liable for the debts or obligations of the other. Neither party shall have the right to bind the other, transact business in the other party's name or in any manner make any promises or representations on behalf of the other party, nor contract any debts or obligations on behalf of the other party, or their affiliates, unless otherwise agreed in writing by the parties. You shall conspicuously identify yourself and the Franchised Business in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee of Franchisor, and shall place a conspicuous notice, in the form and at such place as Franchisor prescribes, notifying the public of such independent ownership.

11.2. Insurance Obligations.

11.2.1. You shall maintain in full force and effect at all times during the term of this Agreement, at your expense, an insurance policy or policies protecting you, Franchisor and its Affiliates, and their respective partners, shareholders, directors, members, managers, agents, and employees, against any

demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense arising or occurring upon or in connection with the operation of the Franchised Business.

11.2.2. Such policy or policies shall: (a) be written by insurer(s) licensed and admitted to write coverage in the state in which the Franchised Business is located and with a rating of “A” or better as set forth in the most recent edition of Best's Key Rating Guide; (b) name Franchisor and its Affiliates, and their partners, officers, subsidiaries, affiliates, shareholders, directors, managers, members, regional directors, agents, and employees as additional insureds on a primary non-contributory basis, (c) the additional insured coverage must be provided on an Additional Insured Grantor of Franchise Endorsement per form CG2029 (or an endorsement form with comparable wording acceptable to Franchisor) as well as through, when applicable, third party coverage endorsement and joint employer coverage endorsement; and (d) comply with Franchisor’s written requirements at the time such policies are obtained, and provide at least the types and minimum amounts of coverage specified below or as described within Franchisor’s written notice to you.

11.2.3. Such policies shall include, at the minimum, the following policies:

- a. “all risk” property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business, including coverage for fire, vandalism and malicious mischief with coverage limits of at least full replacement cost;
- b. Workers’ compensation that complies with the statutory requirements of the state in which the Franchised Business is located and employer’s liability coverage with a minimum limit of \$100,000, or, if higher, the statutory minimum limit as required by state law, which cannot exclude owner-operators;
- c. Comprehensive General Liability Insurance and Professional Liability Insurance (EPLI) against claims for bodily and personal and advertising injury, discrimination, wrongful termination, professional misconduct, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee’s conduct of business, with a minimum liability coverage of \$1,000,000.00 per occurrence or \$2,000,000.00 in the aggregate for Professional Liability and General Liability and umbrella coverage of \$1,000,000 or, if higher, the statutory minimum limit required by state law;
- d. If applicable with respect to a vehicle used in connection with the Franchised Business or displaying the Proprietary Marks, automobile liability insurance for any vehicles owned or hired by the Franchised Business, with a combined single limit of at least \$1,000,000.00, or, if higher, the statutory minimum limit required by state law; and
- e. Such insurance as necessary to provide coverage under the indemnity provisions set forth in the Franchise Agreement.

Each year Franchisor may unilaterally modify the insurance minimum coverage requirements which may include an increase to the minimum coverage requirements to reflect changes in inflation or as market conditions warrant.

11.2.4. In connection with any and all insurance that you are required to maintain under Section 11.2., you and your insurers shall agree to waive their rights of subrogation against Franchisor, and you shall provide evidence of such waiver in accordance with this Section 11.2. Franchisor may unilaterally modify these insurance requirements, which modifications may include increasing minimum policy limits, by delivering to you written notice of the change.

11.2.5. Your obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 11.3. of this Agreement.

11.2.6. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor, or its Affiliates, partners, members, managers, shareholders, officers, directors, agents, or employees by reason of your negligence.

11.2.7. At least 10 days prior to the time you are first required to carry insurance, and thereafter at least 30 days prior to the expiration of any policy, you shall deliver to Franchisor certificate of insurance evidencing your compliance with this Article 11. Each certificate of insurance shall expressly provide that no less than 30 days' prior written notice shall be given to Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such certificates.

11.2.8. If you fail to procure or maintain these minimum insurance requirements, Franchisor or its designee shall have the right and authority (but not the obligation) to procure such insurance on your behalf. Such right shall be in addition to and not in lieu of any other rights or remedies available to Franchisor. If this occurs, you shall reimburse Franchisor the cost of the premium upon demand.

11.3. Indemnification. You shall indemnify and hold harmless to the fullest extent by law, Franchisor, its Affiliates and their respective directors, officers, managers, members, employees, shareholders, and agents, (collectively the “Indemnitees”) from any and all “losses and expenses” (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with your operation of the Franchised Business including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Franchised Location (collectively an “event”), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 11.3., the term “losses and expenses” shall be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. You shall give Franchisor prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek your advice and counsel. Any assumption by Franchisor shall not modify your indemnification obligation. Franchisor may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole and absolute discretion, necessary for the protection of the indemnities or the System.

12. TRANSFER OF INTEREST

12.1. Transfer by Franchisor. Franchisor may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all of Franchisor's obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that Franchisor and/or its Affiliates may sell their assets, the Proprietary Products, the Proprietary Marks or Copyrighted Works, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and

dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of Franchisor's name, the Proprietary Products, the Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of Frenchies, LLC as the franchisor under this Agreement. You specifically waive any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. You agree that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as FRENCHIES® Studios operating under the Proprietary Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to the Franchised Business).

12.2. Transfer by Individual Franchisee to Business Entity for Convenience. If you are an individual, you may transfer your interest in this Agreement to a Business Entity for convenience of operation within the first 12 months of this Agreement by signing Franchisor's standard form of assignment and assumption agreement if (a) the Business Entity is formed solely for purposes of operating the Franchised Business, and (b) you provide to Franchisor a copy of the Business Entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the Business Entity was formed. For transfers described in this Section 12.2 you must pay to Franchisor the amount set forth in the Summary Pages.

12.3. Transfer Among Owners; Transfer of Non-Controlling Interest. If you are a Business Entity, your Owners may transfer their ownership interests in the Business Entity among each other, and may transfer up to a Non-Controlling Interest in the Business Entity to one or more third parties, if: (a) you have provided to Franchisor advance notice of the transfer, (b) Attachment C has been amended to reflect the new ownership; (c) each new Owner has signed a Personal Guaranty and Undertaking in the form of Attachment D-1; and (d) you pay to Franchisor the transfer fee set forth in the Summary Pages.

12.4. Transfer of Agreement; Transfer of the Franchised Business; Transfer of Controlling Interest. All other transfers (including any sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of the Studio, and the sale of a Controlling Interest in you if you are a Business Entity) require Franchisor's prior written consent and completion of an Intent to Sell form submitted to the Franchisor. Franchisor will not unreasonably withhold its consent to a transfer, but may condition its consent on satisfaction of any or all of the following:

12.4.1. You shall have requested consent in writing and delivered to Franchisor a copy of the proposed transfer agreements, including sale terms, at least 30 days prior to the proposed transfer, and Franchisor has determined, in its sole and reasonable discretion, that the terms of the sale will not materially and adversely affect the post transfer viability of the Franchised Business.

12.4.2. The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's then-current educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business; and has sufficient equity capital to operate the Franchised Business (which condition shall be presumed if the transferee's net worth is equal to or exceeds your net worth at the time of transfer, excluding the value of the Franchised Business);

12.4.3. All of your accrued monetary obligations and all other outstanding obligations to Franchisor, its Affiliates, and third-party suppliers shall be up to date, fully paid and satisfied, and you must be in full compliance with this Agreement and any other agreements between you and Franchisor, its Affiliates and your suppliers;

12.4.4. You or the transferee shall have agreed to refurbish the Studio premises so that it meets Franchisor's image requirements for a new FRENCHIES® Studio;

12.4.5. You and each Owner shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates and their respective officers, directors, shareholders, managers, members, agents and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising;

12.4.6. You or the transferee shall have paid the Transfer Fee in the amount set forth in the Summary Pages as well as the current sales commission due to the franchise seller to facilitate the sales process, including disclosure, discovery and validation.

12.4.7. The transferee shall have executed Franchisor's then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different percentage royalty fee and different advertising obligations. The term of such agreement shall be the remaining term of this Agreement at the time of transfer. The transferee shall have the option, however, to purchase a longer term (not to exceed a total of 10 years) by paying an extended term fee ("**Extended Term Fee**") as identified in the Summary Pages.

12.4.8. If the transferee is a Business Entity, then the transferee's Owners each shall sign Franchisor's standard form of Personal Guaranty and Undertaking;

12.4.9. The transferee shall have complied with Franchisor's then-current initial training requirements; and

12.4.10. You have paid all fees due to Franchisor under its then-current franchise resale policy or program, including any applicable sales commissions.

12.5. Transfers Void. Any purported transfer, by operation of law or otherwise, made without Franchisor's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

12.6. Security Interest. You may grant a security interest in this Agreement, or the franchise represented by this Agreement only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Franchised Business and may not entitle or permit the secured party to take possession of or operate the Franchised Business or to transfer your interest in the franchise without Franchisor's consent.

12.7. Public Offerings. If you are a Business Entity and you intend to issue equity interests pursuant to a public or private offering, you shall first obtain Franchisor's written consent, which consent shall not be unreasonably withheld. You must provide to Franchisor for its review a copy of all offering materials (whether or not such materials are required by applicable securities laws) at least 60 days prior to such documents being filed with any government agency or distributed to investors. No offering shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of your securities, and Franchisor's review of any offering shall be limited to ensuring compliance with the terms of this Agreement. Franchisor may condition its approval on satisfaction of any or all of the conditions set forth in Section 12.4. and on execution of an indemnity agreement, in a form prescribed by Franchisor, by you and any other participants in the offering. For each proposed offering, you shall pay to Franchisor a retainer in an amount determined by Franchisor, which Franchisor shall use to reimburse itself for the reasonable costs and expenses it incurs (including, without limitation, attorneys' fees and accountants' fees) in connection with reviewing the proposed offering.

12.8. Right of First Refusal. If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of the Franchised Business, or if any Owner receives a bona fide offer to purchase his or her equity interests in you, and you or such Owner wishes to accept such offer, you or the

Owner must deliver to Franchisor written notification of the offer and, except as otherwise provided herein, Franchisor shall have the right and option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer shall include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur by the later of: (a) the closing date specified in the third-party offer; or (b) within 60 days from the date of notice to the seller of Franchisor's election to purchase. Franchisor's failure to exercise the option described in this Section 12.8. shall not constitute a waiver of any of the transfer conditions set forth in this Article 12.

12.9. Transfer Upon Death or Incapacitation. Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within six months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as an inter vivos transfer, except that the transfer fee shall be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 12.9., the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within six months, which disposition shall be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within such period, Franchisor may, at its option, terminate this Agreement, pursuant to Section 13.5.

12.10. Non-Waiver of Claims. Franchisor's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party, and it will not be deemed a waiver of Franchisor's right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which Franchisor's and the transferee are parties, by the transferee.

13. ~~DEFAULT AND FRANCHISE AGREEMENT~~

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

~~**B. Conditions to Your Transfer or Assignment.** This Agreement, and your rights and obligations under it, are and will remain personal to you. As used in this Agreement, the term "Transfer" will mean any sale, lease, assignment, gift, pledge, mortgage, or any other encumbrance, transfer by bankruptcy, transfer by your disability or death, or by judicial order, merger, consolidation, share exchange, transfer by operation of law, or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets used to operate your Nail Studio, or of any interest in you, or if you are a corporation, partnership, limited liability company, or other entity, a transfer, pledge, assignment, or other disposition of direct or indirect control or ownership of fifty percent (50%) or more of any interest in your entity. In addition, if there are two (2) individuals signing this Agreement as Franchisee, and one (1) of those individuals is no longer involved in the ownership of your Nail Studio, the withdrawal of that person will be~~

~~considered a Transfer. A Transfer will also be deemed to occur when there are more than two (2) people listed as the Franchisee and there is a change in the ownership of your Nail Studio such that less than a majority of the original signatories continue to have a majority interest in the equity of the business. You (and your shareholders, partners, and members) will not directly or indirectly make a Transfer without our prior written consent and any transfer will be subject to our right of first refusal, as set forth in **Section 19** below. Unless otherwise provided in this Agreement, we will not unreasonably withhold, delay, or condition our consent to a Transfer, subject to all of the following conditions being satisfied:~~

- ~~i. You are in full compliance with this Agreement, you have no uncured defaults, and all your debts and financial obligations to us and our affiliates are current;~~
- ~~ii. You provide us with all information we may require about the proposed transaction (including a copy of the purchase agreement and all related documents), and the proposed transferee;~~
- ~~iii. We are satisfied that the proposed transferee (and if the proposed transferee is an entity, all holders of any interest in that entity) meets all of the requirements for our new franchisees, including, but not limited to, good reputation and character, business experience, and financial strength, credit rating and liquidity, and that the sale price is not excessive;~~
- ~~iv. You sign a written agreement in a form satisfactory to us in which you and your investors covenant to observe all applicable post term obligations and covenants contained in this Agreement;~~
- ~~v. The proposed transferee enters into a new franchise agreement with us, on the terms we then generally offer to new franchisees (including fees payable and size of territory); provided, however, that no new initial franchise fee will be required to be paid, and further provided that the term of that franchise agreement, unless otherwise agreed, will be the remaining term of your franchise agreement;~~
- ~~vi. The proposed transferee agrees in writing to perform maintenance, remodeling, and reequipping of your Nail Studio that we determine necessary to bring your Nail Studio in compliance with our then current standards;~~
- ~~vii. Before the date of the proposed Transfer, the proposed transferee's Principal Operator successfully completes training and instruction we deem necessary;~~
- ~~viii. You and all holders of an interest in you sign a general release, in substantially the form of **Exhibit B** to this Agreement, releasing, to the fullest extent permitted by law, all claims that you or any of your investors may have against us and our affiliates, including our and their respective shareholders, members, managers, officers, directors, and employees, in both their individual and corporate capacities or any further obligations we may have to you; and~~
- ~~ix. Before the Transfer, you pay us a transfer fee. If the Transfer occurs before your Nail Studio has opened for business, the transfer fee will be Ten Thousand Dollars (\$10,000). If the Transfer occurs after your Nail Studio is open, then the transfer fee will be Five Thousand Dollars (\$5,000).~~
- ~~x. We may expand upon these conditions for transfer in the Manual.~~

~~If you are an individual and seek to transfer this Agreement to a corporation, partnership, or limited liability~~

~~company formed for the convenience of ownership, the conditions of subsections v (signing a new franchise agreement), vi (upgrading the Nail Studio), and ix (transfer fee) shall not apply, and you may undertake such transfer, provided that: (a) you own one hundred percent (100%) of the equity interest in the transferee entity; (b) all owners personally guarantee, in a written guaranty satisfactory to us, the performance of your obligations under the Franchise Agreement; (c) you execute a Transfer of Franchise form as prescribed and approved by us; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Nail Studio under this Agreement; and (e) all owners execute any and all other ancillary agreements as we may require.~~

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

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

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

~~**C. — Waiver of Transfer Fee.** Notwithstanding anything to the contrary in this Section 13: you will not be required to pay the transfer fee due under subsection ix above, if the transferee: (a) is a spouse, parent, or direct lineal descendant or sibling of you or of an owner of you (or more than one of such persons); provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Nail Studio; or (b) is a current owner of you.~~

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

~~**E. — No Waiver.** Our consent to any transfer pursuant to this Section 13 shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be a waiver of our right of to demand exact compliance with any of the terms of this Agreement by any transferor or transferee.~~

~~**F. — Bankruptcy.** If you or any person holding any interest (direct or indirect) in you becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of you, your obligations and/or rights hereunder and/or any material assets of your, shall be subject to all of the terms of this Section 13.~~

~~**G. — No Transfers in Violation of Law.** Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom we, or any of our affiliates, are prohibited by law from transacting business.~~

~~OUR TERMINATION RIGHTS~~

~~A. Automatic-13.1. Termination-- In the Event of Bankruptcy or Insolvency.~~ You ~~will~~shall be deemed to be in default under this Agreement, and all rights granted to you ~~herein in this Agreement~~ shall automatically terminate without notice ~~to you~~, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed ~~and~~ against you and you do not ~~opposed by you~~oppose it; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver ~~offor~~ you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law ~~should beis~~ instituted by or against you; if a final judgment remains unsatisfied or of record for ~~thirty (30)~~ days or longer (unless a supersedeas bond is filed); if you are dissolved; if execution is levied against your business or property; if ~~su#judicial, non-judicial or administrative proceedings~~ to foreclose any lien or mortgage against the ~~PremisesFranchised Location premises or assets~~ or equipment is instituted against you and not dismissed within ~~thirty (30)~~ days; or if the real or personal property of the ~~Nail Studio shall beFranchised Business is~~ sold after levy thereupon by any sheriff, marshal, or constable.

~~B. Without Notice.~~ You will be in default and we may, at our option, terminate this Agreement, without affording you any opportunity to cure the default, effective upon delivery of notice of termination to you, following the occurrence of any of the following events:

- ~~i. Your Nail Studio is not constructed strictly according to the plans we have approved and you do not remedy the deficiencies within thirty (30) days after notice from us;~~
- ~~ii. You fail to operate for two (2) consecutive days (unless prevented from doing so by fire, flood, or acts of nature), or otherwise abandon your Nail Studio, or forfeit the right to do or transact business in the jurisdiction where your Nail Studio is located, or lose the right to possession of the premises in which your Nail Studio operates;~~
- ~~iii. You or any of your owners make an unauthorized Transfer under this Agreement;~~
- ~~iv. You or any of your owners are proven to have engaged in fraudulent conduct, or are convicted of or plead guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated therewith;~~
- ~~v. You are given three (3) or more notices of being in material violation of any of the terms or requirements of this Agreement within any twelve (12) month period, whether or not the defaults are timely cured after notice;~~
- ~~vi. You misuse or make any unauthorized use of the Marks and do not cease the misuse or unauthorized use within twenty-four (24) hours' notice from us;~~
- ~~vii. You maintain false books or records or submit any false or misleading application, statement, or report to us, whether in applying for the franchise or during the term of this Agreement; or~~
- ~~viii. You, by act or omission, materially impair the value of, or the goodwill associated with, any of the Marks or the System.~~

~~C. With Notice and Failure to Cure.~~ Except for those defaults provided for under ~~Section 14.B~~ above, you will be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures, or requirements imposed by this Agreement or any other

~~agreement you or any of your affiliates have with us or with any of our affiliates, or in any Manual, policy, or procedure statement or other written document provided by us, or to carry out the terms of this Agreement in good faith. Before we terminate this Agreement as a result of these defaults, we will provide you with thirty (30) days' written notice of your default. If the defaults specified in such notice are not cured within the thirty (30) day period (either by you or by any financial institution that has loaned money to you or to your business); we may terminate this Agreement upon the expiration of the thirty (30) day period without further notice. These defaults will include, without limitation, the occurrence of any of the following events:~~

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

~~**D. Standard Default Fee.** In addition to our right to terminate the Franchise Agreement, if you breach your obligations under this Agreement and fail to cure the default within the applicable cure period provided above, you must pay us our then-current "Standard Default Fee" for each cure period until the default is cured in order to offset our costs incurred to address the default.~~

~~**E. Applicable Law.** If the provisions of this Section are inconsistent with applicable law, the applicable law will apply.~~

~~**F. Pre-termination Options.** Before the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliates, fail to comply with any term of this Agreement, or fail to notify us that your Nail Studio is closing, then in addition to our right to terminate this Agreement or to bring a claim for damages, we have the option to:~~

- ~~i. remove the listing of your Nail Studio from all advertising published or approved by us;~~
- ~~ii. cease listing your Nail Studio on any Frenchies Website and Electronic Media, and to discontinue any links from such sites to any site for your Nail Studio;~~
- ~~iii. prohibit you from attending any meetings or programs held or sponsored by us;~~
- ~~iv. terminate your access to any computer system or software we own, maintain, or license to you (whether licensed by us or by one of our affiliates);~~
- ~~v. suspend all services we or our affiliates provide to you under this Agreement or otherwise; and~~
- ~~vi. contact your landlords, lenders, suppliers, and customers about the status of your operations and provide copies of any default or other notices to your landlords, lenders, and suppliers.~~

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

YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

~~**A.**— You will immediately cease to operate the business franchised under this Agreement, and will not thereafter, directly or indirectly, represent to the public or hold yourself out as a FRENCHIES franchisee with respect to the business.~~

~~**B.**— You will immediately and permanently cease to use, in any manner whatsoever, all confidential information, approved Computer System and Required Software, methods, procedures, and techniques used by or associated with the System, and the Marks and distinctive forms, slogans, signs, symbols, logos, and devices associated with the System, as well as any name, mark, symbol, logo, or slogan similar to any of the Marks. You will also specifically authorize us to physically remove any signage bearing any of the Marks that you may fail to remove. Further, if we elect to remove the signage, you will, upon demand, reimburse us for any costs we incur in doing so.~~

~~**C.**— You will immediately return to us the Manual, all copies or excerpts thereof, and any property held or used by you that is owned by us and will cease to use, and either destroy or convey to us, all signs, advertising materials, displays, stationery, forms, and any other materials that bear or display the Marks.~~

~~**D.**— You will take such actions as may be necessary to cancel any Electronic Media (subject to **Section 16.H** below), and any assumed name, domain name, account, profile, username, e-mail address, or similar registration that contains the Mark “FRENCHIES” or any other Mark, and will immediately and permanently refrain from and cease all use of the Mark “FRENCHIES” or any other Mark on or in any domain name, username, account name, Website, web page, social media, or social networking site of any kind. You agree and acknowledge that your continued use of the Marks after the expiration or termination of this Agreement will be without our consent and will constitute an “exceptional case” under federal trademark law (15 U.S.C. § 1117) entitling us to recover treble damages, costs, and reasonable attorneys’ fees.~~

~~**E.**— You will immediately vacate the Nail Studio premises if we exercise our rights under the Collateral Assignment of Lease attached as **Exhibit C**.~~

~~**F.**— You will, within ten (10) days after termination or expiration of this Agreement, make modifications and alterations to your Nail Studio premises as may be necessary to distinguish the appearance of the premises from all attributes of the System and will make specific additional changes thereto as we may request. You agree that, at a minimum, these modifications will include: (i) removal of all signage; (ii) alteration of the color scheme and decor; and (iii) discontinuation of the use of any item containing any of the Marks.~~

~~**G.**—Within five (5) days after termination, you will pay to us all amounts owed to us under this Agreement. In addition, upon termination of this Agreement by reason of your default, you will pay to us the lesser of (i) the sum of Weekly Royalty Fees that would have been due through the expiration of the term of this Agreement, or (ii) the sum of Weekly Royalty Fees that would have been due for a period of three (3) years from the termination date; in each case calculated by taking the average Weekly Royalty Fees you paid to us for the twelve (12) month period prior to the termination date and amortizing it for such calculation period; provided that if your Nail Studio was not open for such entire twelve (12) month period, utilizing the average Weekly Royalty Fees paid to us by nail studios within the System for any period in which your Nail Studio was not open and operating. Further, if this Agreement is terminated for any reason other than as a result of a material breach of this Agreement by us that is not cured within thirty (30) days following notice from you, these sums will include all damages, costs, and expenses, including reasonable attorneys’ fees, incurred by us as a result of the default and the termination. You agree that until the obligations are paid in full, you hereby grant us a lien against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by you and located on your Nail Studio premises on the date this Agreement terminates or expires and authorize us to file financing statements and other documents we deem appropriate to perfect the lien. The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement’s termination and the loss of cash flow due to, among other things, the complications of determining what costs, if any, we might have saved and how much the fees would have grown over what would have been this Agreement’s remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages, and not a penalty. The liquidated damages provision only covers our damages from the loss of cash flow from specific listed fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement. You agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the sections requiring payment of Weekly Royalty Fees.~~

~~**H.**—If requested by us, you will take all further action and execute all documents necessary to convey and assign to us all telephone and fax numbers that have been used in the operation of your Nail Studio, as well as any other registrations or listings for any Websites and Electronic Media, and other domain names and e-mail addresses that include the words “FRENCHIES” or, if we do not so request, you will cease all use of the telephone numbers, Websites, Electronic Media, and any domain names and e-mail addresses that include the words “FRENCHIES.”~~

~~**I.**—You will comply with the covenants contained in this Agreement, including, but not limited to, the covenants not to compete and the covenants not to disclose trade secrets or confidential information.~~

~~**J.**—We may, if you fail or refuse to do so, execute in your name and on your behalf, any and all actions and documents that may be necessary to effect your obligations under **Sections 16.D** and **16.H**, and you hereby irrevocably appoint us as your attorney in fact to do so, which appointment is coupled with an interest.~~

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

YOUR COVENANTS NOT TO COMPETE

~~**A.——During Term.** You will not, directly or indirectly, during the term of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, or member of any other person, firm, entity, partnership, corporation, or company, own, operate, lease to or lease from, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in owning, operating, or managing any business that offers nail care services, wherever located, whether within the Protected Territory or elsewhere.~~

~~**B.——After Expiration, Termination, or Transfer.** You will not, directly or indirectly for a period of two (2) years after the transfer by you, or the expiration or termination of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, lender, or joint venturer of any other person, firm, entity, partnership, corporation, or company, own, operate, lease to or lease from, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in offering nail care services, which is located within the Protected Territory or within a ten (10) mile radius of any FRENCHIES studio, wherever located, whether within the Protected Territory or elsewhere.~~

~~**C.——Reasonableness.** You agree that the scope of the prohibitions set forth in Sections 17.A and 17.B are reasonable and necessary to protect us and the System (including other franchisees of the System). You agree that the prohibitions in Section 17.A must be very broad in order to prevent you from taking information, materials, and training we are providing to you on an ongoing basis and using them to either: a.) compete with us; or b.) preempt or otherwise restrict our ability to enter new markets. You agree that the time period and the scope of the prohibitions set forth in Section 17.B are the reasonable and necessary time and distance needed to protect us if this Agreement expires or is terminated for any reason. You also agree that you have many other opportunities available to earn a living, and that these restrictions will not preclude you from engaging in a lawful trade or business for which you otherwise have training or experience.~~

~~**D.——Exception.** The purchase of a publicly traded security of a corporation engaged in a competitive business or service will not in itself be deemed violative of this Section so long as you do not own, directly or indirectly, more than five percent (5%) of the securities of that corporation.~~

~~**E.——Relief.** You agree that damages alone cannot adequately compensate us if there is a violation of these noncompetitive covenants and that injunctive relief is essential for our protection. You therefore agree that in case of your alleged breach or violation of this Section, we may seek injunctive relief, in addition to all other remedies that may be available to us at equity or law. In addition, if you violate the restriction provided for in Section 17.B, the period of time during which the restriction will remain in effect will be extended until two (2) years after you cease violating the restriction.~~

ENFORCEMENT

~~**A.——Injunctive Relief and Attorneys' Fees.** We will be entitled to the entry of temporary restraining orders and temporary and permanent injunctions to: (i) enforce our rights to terminate this Agreement for the causes set forth in Section 14 of this Agreement; and (ii) prevent or remedy a breach of this Agreement if that breach could materially impair the goodwill associated with our or your business, including but not limited to, the enforcement of obligations upon termination of this Agreement and the enforcement of the non-compete provisions of this Agreement. We will also be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing these provisions. If we are successful in obtaining an injunction, or any other~~

~~judicial relief or order from an arbitrator against you, or in successfully defending any claim you have brought against us, you will pay us an amount equal to all of our costs of prosecuting and defending the action, including reasonable attorneys' fees, costs of investigation, court and arbitration costs, and other litigation or arbitration expenses. Our rights to obtain injunctive or other equitable relief is in addition to any other right we may have under this Agreement. It will in no way limit or prohibit us from obtaining money damages from you if you breach this Agreement.~~

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

- ~~i. Upon written notice by either you or us, to the other, of your or our desire to mediate, the party receiving the notice will select an independent entity that provides mediation services to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not name such an organization within ten (10) days from the date the notice of intention to mediate is received, then the other party may proceed as if this Section did not exist, or, at its option, make the selection of the organization to provide mediation services. If you or we select an organization that is unwilling to serve as mediator, then the other party may select the organization. Once the organization is designated and agrees to accept the appointment as mediator, the organization will be directed to schedule a mediation proceeding at a time mutually convenient to us and to you. The mediation will be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If you and we cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable for both of us, given all of the claimed conflicts in dates. The person actually mediating the dispute will be required to have at least ten (10) years of experience as either a franchisee or franchisor (or as an officer of such an entity) or in franchise law. You and we will equally share the cost of the mediator. The mediation will be held in the city and state where our principal place of business is located.~~
- ~~ii. Except for the matters identified above where we are permitted to seek injunctive relief without first mediating the dispute, if either party initiates litigation or arbitration without complying with their obligation to mediate in accordance with this section (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section), then upon petition of whichever of us has a lawsuit or arbitration proceeding brought against us, the court or arbitrator will dismiss the litigation or arbitration without prejudice, and award reasonable attorneys' fees and costs to the party seeking dismissal in an amount equal to the reasonable attorneys' fees and costs the party seeking dismissal incurred. If the court or arbitrator refuses for any reason to dismiss the action, then regardless of the outcome of the action, or of any award given in the action, the party initiating the litigation or arbitration will be responsible for all reasonable attorneys' fees and costs incurred throughout the litigation or arbitration by the other party as damages for failing to comply with the provisions of this Section.~~

~~**C. Arbitration.** Except insofar as we elect to enforce this Agreement by judicial process and injunction as provided in **Section 17.A**, all disputes and claims arising out of or relating to this Agreement, or to the breach thereof, or to any of our standards or operating procedures, or other obligation of either of yours or ours, or to the breach thereof (including any claim that this~~

~~Agreement, any provision of this Agreement, any specification, standard, operating procedure or any other obligation of yours or ours is illegal, unenforceable or voidable), or any aspect of the relationship between you and us (even if additional persons are named as parties to such action); must be resolved by arbitration in Denver, Colorado, or if our principal office is not located in Colorado, then at the office of the American Arbitration Association located closest to our principal office. It is our intention that state laws attempting to void out of state forum selection clauses for arbitration be preempted by the Federal Arbitration Act and that arbitration be held in the place designated above.~~

- ~~i. The arbitration will be held in accordance with the United States Arbitration Act (9 U.S.C. § 1 *et seq.*), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise agreements, if any; otherwise, the general rules of commercial arbitration).~~
- ~~ii. The arbitrator appointed must have at least ten (10) years' experience in franchising or franchise law, and the arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers, and limitations of this Agreement. The arbitrator will have no authority to add, delete, or modify in any manner the terms and provisions of this Agreement. All findings, judgments, decisions, and awards of the arbitrator will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically requested by the parties before the start of the arbitration hearing. The arbitrator will have the right to award or include in any award the specific performance of this Agreement, but will be required to file a reasoned brief with his or her award.~~
- ~~iii. You and we each agree that any award from the arbitrator may be appealed under the Optional Appellate Arbitration Rules of the American Arbitration Association.~~
- ~~iv. You and we acknowledge that judgment upon an arbitration order may be entered in any court of competent jurisdiction and will be binding, final, and nonappealable, except for mistakes of law, as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section.~~
- ~~v. Unless this Agreement is terminated in accordance with the provisions of **Sections 14 or 15**, during the pendency of any arbitration proceeding, you and we will fully perform the requirements of this Agreement.~~
- ~~vi. If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for we seek an injunction in accordance with the provisions of **Section 17.A**, the arbitrability of the claim will be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration will be made by the arbitrator appointed in accordance with this Agreement.~~
- ~~vii. All arbitration proceedings will be individual proceedings between you and us, and will not be conducted on a "class" basis, or include any other of our franchisees as named parties unless you and we each agree.~~

~~If, after either you or we institute an arbitration proceeding, one or the other asserts a claim,~~

~~counterclaim, or defense, the subject matter of which, under statute or current judicial decision, is nonarbitrable for public policy reasons, the party against whom the claim, counterclaim, or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims, or defenses or proceed to litigate all claims, counterclaims, or defenses in a court having competent jurisdiction.~~

You agree that any claim arising out of this Agreement, whether for rescission or damages or any other type of remedy at law or in equity, may be maintained by you against us unless brought within the later of one (1) year from the date of the act or failure to act by us or six (6) months from the date you knew or should have known of the act or failure to act by us.

~~**D. Waiver of Punitive Damages.** You (and your owners and guarantors if applicable) agree to waive, to the fullest extent permitted by law, any right to, or claim for, any punitive or exemplary damages against us and any of our affiliates, owners, employees, or agents, and agree that in the event of a dispute between us, you will be limited to the recovery of any actual damages sustained by it.~~

~~**E. Venue.** We and you (and your owners and guarantors if applicable) each agree that if litigation is permitted under this Agreement, the sole forum for litigation arising under this Agreement, or any aspect of the relationship between us (even if additional parties are named as parties to that litigation) will be the state or federal courts of Colorado. Those actions must be exclusively venued either in the District Courts of Colorado, County of Denver, or the United States District Court for the District of Colorado. You and we each waive any objection you or we may have to either the jurisdiction or the venue of the court (except to the extent jurisdiction is preempted by the arbitration provisions of this Agreement), and you and we each consent to personal jurisdiction and venue in such court. However, if we are permitted to seek injunctive relief under this Agreement, we may, at our option, bring that action in the county in which your Nail Studio is located.~~

~~**F. Jury Waiver.** YOU AND WE EACH WAIVE THE RIGHT TO A TRIAL BY JURY. This waiver applies to all causes of action that are or might be included in any action, including claims related to the enforcement or interpretation of this Agreement, allegations of state or federal statutory violations, fraud, misrepresentation, or similar causes of action and it applies even if persons that are not a party to this Agreement are named as additional parties in the proceeding.~~

~~**G. Waiver of Collateral Estoppel.** The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having those disputes directly affect the contract or relationship between us. We and you therefore each agree that a decision of an arbitrator or court of law to which one of us is not a party will not prevent the person that was a party to the action from making similar arguments, or taking similar positions, in any action between us. You and we therefore each waive the right to assert that principles of collateral estoppel prevent either you or us from raising any claim or defense in an action between us if either you or we lost a similar claim or defense in another action.~~

~~**H. No Affiliate Liability.** No past, present, or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney, or representative of ours or of any of our affiliates will have any liability for: (i) any obligations or liabilities we have relating to or arising under this Agreement; or (ii) any claim against us based on,~~

~~in respect of, or by reason of, the transactions contemplated in this Agreement. This provision will not, however, affect any right, duty or obligation of ours or yours, or of any guarantor of your obligations.~~

~~RIGHT OF FIRST REFUSAL~~

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

~~MISCELLANEOUS~~

~~**A. Unpaid Amounts.** Any unpaid amounts owed by you to us or any of our affiliates including any Weekly Royalty Fee, advertising fees and product purchases will bear interest at the rate of one and one-half percent (1.5%) per month or the maximum rate permitted by law, whichever is less. You must reimburse us and our affiliates for all costs incurred in the collection of unpaid amounts, including reasonable attorneys' fees.~~

~~**B. Severability.** All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in the Agreement and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. You and we will substitute a valid and enforceable provision for any specification, standard, operating procedure, rule, or other obligation of either of us that is determined to be invalid or unenforceable and is not waived by the other party. These modifications to this Agreement will be effective only in the jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.~~

~~**C. Cumulative Rights.** Except as otherwise set forth in this Agreement, our and your rights under this Agreement are cumulative and no exercise or enforcement of any right or remedy under this Agreement will preclude the exercise or enforcement of any other right or remedy under this Agreement or which we or you are entitled by law to enforce.~~

13.2. Termination with Notice and Without Opportunity to Cure. Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of notice without opportunity to cure if: (a) your Managing Owner or General Manager fails to successfully complete training; (b) you fail to open a studio by the Control Date; (c) you abandon the Franchised Business (which will be presumed if you cease operations for three consecutive business days or more); (d) you lose any license required to operate the Franchised Business or you lose your right to occupy the Studio premises; (e) you or any Owner or General Manager is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System; (f) there is any transfer or attempted transfer in violation of Article 12 of this Agreement; (g) you

or any Owner fails to comply with the confidentiality or non-compete covenants in Section 15.1. of this Agreement; or (h) you or any Owner has made any material misrepresentations in connection with your franchise application; (i) you fail to comply with notification requirements set forth in Sections 6.1.(b) or (c) concerning investigations and Crisis Management Events; (j) you understate any payment to Franchisor by 2% or more, or understate any such payment in any amount, twice in any two-year period; (k) if an imminent threat or danger to public health or safety results from the operation of the Franchised Business; (l) you knowingly maintain false books or records or submit any false reports or statements to Franchisor; (m) you offer unauthorized products or services (including permanent makeup services without first obtaining Franchisor's prior written consent) from the Studio premises or in conjunction with the Proprietary Marks or Copyrighted Works; (n) purchase items for which Franchisor has identified approved or designated supplier or distributor from an unapproved source; (o) you fail to pass two or more quality assurance/health inspections within any rolling 12-month period; (p) you fail to participate in any advertising or marketing program pursuant to Sections 9.4. or 9.5. on two or more occasions within any rolling 12-month period, or (q) Franchisor delivers to you two or more written notices of default pursuant to this Article 13 within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured.

13.3. Termination with 10-Day Cure Period. Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure the following defaults within 10 days after delivery of written notice: (a) failure to obtain or maintain required insurance coverage; (b) failure to pay any amounts due to Franchisor; (c) you fail to pay any amounts due to your trade creditors (unless such amount is subject to a bona fide dispute); (d) you fail to pay any amounts for which Franchisor has advanced funds for or on your behalf, or upon which Franchisor is acting as guarantor of your obligations; (e) failure to comply with your minimum monthly local advertising expenditure requirements; (f) your violation of any provision of this Agreement concerning the use and protection of the Proprietary Marks or Copyrighted Works; (g) your violation of any provision of this Agreement concerning the packaging, service, appearance or quality of products offered; or (h) failure to cure deficiencies determined through a quality assurance inspection.

13.4. Termination with 30-Day Cure Period. Except as otherwise provided in this Article 13, Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any curable default within 30 days after delivery of written notice.

13.5. Termination Related to Death or Permanent Incapacity. Franchisor has the right to terminate this Agreement if an approved transfer as required by Section 12.9. is not affected within the designated time frame following a death or permanent incapacity (mental or physical).

13.6. Cross-Default. Any default under any agreement between you and Franchisor or its Affiliates, and failure to cure within any applicable cure period, shall be considered a default under this Agreement and shall provide an independent basis for termination of this Agreement.

13.7. Additional Remedies. In addition to, or in lieu of, termination of this Agreement, in its sole discretion, Franchisor may require the Studio be closed during any cure period relating to a default based on public health and safety concerns.

14. POST TERMINATION OBLIGATIONS

14.1. Cease Use of Proprietary Marks and Copyrighted Works; Cancellation of Fictitious Name; Assignment of E-mail Addresses, URLs, Domain Names, Internet Listings. Upon termination or expiration of this Agreement, you shall immediately cease all use of the Proprietary Marks, Copyrighted Works and Confidential Information. You shall cancel any assumed name registration containing the Proprietary Marks. You shall, at Franchisor's option and request, assign to Franchisor all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business.

14.2. Assignment of Lease; De-Identification. At Franchisor's request, you shall assign to Franchisor or its designee your interest in the lease. If Franchisor does not request assignment of the lease before or as of the date of expiration or termination of this Agreement, then within 10 days after termination or expiration of this Agreement, you shall modify the Studio premises (including, without limitation, the changing of the color scheme and removing of all distinctive design features, including chairs, carts, curtains and any other materials which can be removed from the premises, and the changing of and assigning to Franchisor of, the telephone numbers) as may be necessary to distinguish the appearance of the Franchised Location from that of other FRENCHIES® Studios, and shall make such specific additional changes to the Franchised Location as Franchisor may reasonably request for that purpose.

14.3. Return of Manuals and Other Confidential Information. You shall immediately deliver to Franchisor the Manuals and all other manuals, records, correspondence, files, and any instructions containing Confidential Information relating to the operation of the Franchised Business which are in your possession; and all copies thereof (all of which are acknowledged to be the property of Franchisor).

14.4. Franchisor's Right to Purchase, Fixtures, and Tangible Assets. Franchisor shall have the option to purchase any or all of the Studio's leasehold improvements, furniture, fixtures, equipment, inventory, supplies, and interior and exterior signs at their then-current fair market value, to be determined by a qualified independent third party of Franchisor's choosing and may set off against the purchase price any amounts that you owe to Franchisor. Franchisor shall exercise its option by written notice to you delivered on or before the date of expiration or termination of this Agreement.

14.5 Payment. Franchisee shall promptly pay all sums owing to Franchisor, its affiliates and vendors. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Studio premises operated hereunder at the time of default.

14.6 Liquidated Damages upon Termination due to Franchisee's Default. In the event this Agreement is terminated prior to the end of its term due to Franchisee's default hereunder, in addition to the amounts set forth in Section 14.5 above, Franchisee shall promptly pay to Franchisor a lump sum payment (as damages and not as a penalty) for breaching this Agreement in an amount equal to: (a) the average monthly Royalty Fee and Marketing Fee payable by Franchisee under Sections 4.3 and 4.4 above over the twelve (12) month period immediately preceding the date of termination (or such shorter time period if the Studio has been open less than twelve (12) months); (b) multiplied by the lesser of (a) thirty-six (36) months or (b) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light of the damages Franchisor will incur for Franchisee's material default causing the premature termination of this Agreement. This lump sum payment shall be in lieu of any damages Franchisor may incur as a result of Franchisee's default, but it shall be in addition to all amounts provided above in Section 14.5 and any attorneys' and accountants' fees and other costs and expenses to which Franchisor is entitled under the terms of this Agreement, including but not limited to, Section 19 below. Franchisee's payment of this lump sum shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies to enforce this Section 14 and the covenants set forth in Sections 7 and 15.

15. COVENANTS

15.1. Non-Competition During Term of Agreement. You and each Owner acknowledge that you and each Owner will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of Franchisor and the System. You and each Owner covenant and agree that during the

term of this Agreement, except as otherwise approved in writing by Franchisor, you and, if applicable, such Owner, shall not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity:

~~**D.** 15.1.1. Divert or attempt to divert any present or prospective customer of the Franchised Business Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 *et seq.*), this Agreement and the franchise relationship will be governed by the laws of the State of Colorado. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state (including Colorado) relating to franchises or business opportunities, other than those of the state in which the Franchised Location is located. This waiver of any rights under Colorado law will not apply if the Franchised Location is located in Colorado or you are a resident of (or if you are an entity, your principal(s) is a resident of) Colorado.~~

~~**E. Disavowal of Oral Representations.** You and we acknowledge that we want all terms of our business relationship to be defined in this written agreement, and that neither of us wants to enter into a business relationship with the other in which any terms or obligations are subject to any oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations as set forth in this Agreement. Therefore, you and we agree that this Agreement will supersede and cancel any prior and contemporaneous discussions between us. We each agree that we placed, and will place, no reliance on any discussions. You agree that no representations have been made to you about this Agreement or the FRENCHIES franchise other than as contained in this Agreement and in the Franchise Disclosure Document you received before you signed this Agreement (the “FDD”). You agree that no claims, representations, or warranties of earnings, sales, profits, or success of your Nail Studio have been made to you other than as set forth in **Item 19** of the FDD.~~

~~**F. Approvals.** Wherever our consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, we have the right to withhold our approval in our discretion, for any reason, or for no reason. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable. Our approvals and consents will not be effective unless given in writing.~~

~~**G. Interpretation.** It is the desire and intent of you and us that the provisions of this Agreement be enforced to the fullest extent possible under the applicable laws and public policies. Therefore, if any provision of this Agreement is determined by a court or arbitrator to be invalid or unenforceable, that determination will apply only to the operation of that provision in the particular proceeding in which the determination is made. We and you agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Agreement will be construed simply according to its fair meaning and not strictly against you or us.~~

~~**H. Waiver.** Except as otherwise provided in this Section, neither of us will be deemed to have waived any obligation of the other, or to have agreed to any modification of this Agreement, unless we have done so in writing, and the writing is signed by the person~~

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

~~**I. — Time.** Time is of the essence to this Agreement.~~

~~**J. — Counterparts.** This Agreement may be signed in counterparts, each of which will be considered an original.~~

~~**K. — Entire Agreement.** The preambles are a part of this Agreement. This Agreement, together with its exhibits, constitutes the entire agreement between you and us related to your Nail Studio and any other aspect of the relationship we have with you, and cannot be amended except by a written agreement signed by you and us. This Agreement also supersedes all prior agreements and negotiations we have had with you related to your acquisition of this franchise or your and our rights and obligations. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made to you in the FDD.~~

~~**L. — Headings and Terms.** The headings of the Sections are for convenience only and do not define, limit, or construe the contents of the Sections. The term “you” as used in this Agreement is applicable to one or more persons, a corporation, a partnership, or limited liability company, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If more than one person executes this Agreement for you, then your obligations are joint and several.~~

~~**M. — Patriot Act.** You represent and warrant that to your actual and constructive knowledge: (i) neither you (including your directors, officers, and managers), nor any of your affiliates, or any funding source for your Nail Studio, are identified on the list at the United States Treasury’s Office of Foreign Assets Control (OFAC); (ii) neither you nor any of your affiliates are directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any of your affiliates are acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to an embargo; (iv) neither you nor any of your affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State’s Debarred Lists, or on the U.S. Department of Treasury’s Lists of Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists, as the lists may be amended from time to time (collectively, the Lists); (v) neither you nor any of your affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither you nor any of your affiliates will sell products, goods, or services to, or otherwise enter~~

~~into a business arrangement with, any person or entity on any of the Lists. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.~~

NOTICES

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

~~_____ **Notice to us: FRENCHIES, LLC**
550 Reserve Street, Suite 380
Southlake, Texas 76092
Attention: Chief Executive Officer~~

~~_____ **Notice to you: See Rider.**~~

ACKNOWLEDGEMENTS

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

~~_____

(Franchisee's Initials)~~

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

~~_____

(Franchisee's Initials)~~

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

~~_____

(Franchisee's Initials)~~

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

(Franchisee's Initials)

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

(Franchisee's Initials)

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

(Franchisee's Initials)

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

(Franchisee's Initials)

~~**H. No Personal Liability.** You agree that fulfillment of any and all of our obligations written in this Agreement or based on any oral communications that may be ruled to be binding in a court of law will be our sole responsibility and none of our agents or representatives, nor any individuals associated with our franchise company, will be personally liable to you for any reason. This is an important part of this Agreement. You agree that nothing you believe you have been told by our representatives or us will be~~

binding unless it is written in this Agreement. Do not sign this Agreement if there is any question about its contents or any representations made.

(Franchisee's Initials)

~~**I.—No Waiver or Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:~~

~~No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.~~

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

~~FRANCHISEE:~~ _____

~~FRANCHISE AGREEMENT RIDER~~

~~1. EFFECTIVE DATE:~~ _____

~~2. FRANCHISEE:~~ _____

~~3. FRANCHISED LOCATION:~~ _____

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

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

~~4. PROTECTED TERRITORY:~~ _____

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

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

~~6. PRINCIPAL OPERATOR DESIGNATED BY FRANCHISEE:~~ _____

~~7. INITIAL FRANCHISE FEE: See INITIAL FRANCHISE FEE ATTACHMENT.~~

~~8. ADDRESS FOR NOTICE TO YOU:~~

Name:
~~Address:~~
~~Address:~~
Email:

~~FRANCHISOR: FRENCHIES, LLC FRANCHISEE:~~

~~SIGNED: SIGNED:~~

~~BY: BY:~~

~~ITS: ITS:~~

~~DATE: DATE:~~

~~SIGNED:~~

~~BY:~~

~~IT~~

~~S:~~

~~DATE:~~

~~SIGNED:~~

~~BY:~~

~~ITS:~~

~~DATE:~~

~~INITIAL FRANCHISE FEE ATTACHMENT TO RIDER~~

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

~~____/____~~ New Franchisee (including conversion studios): ~~\$49,500.~~

~~_____~~

~~____/____~~ New Franchisee (including conversion studios) (Qualified Veterans Only): ~~\$44,500.~~

~~____/____~~ Existing, Qualifying FRENCHIES Franchisee: ~~\$44,500.~~

~~____/____~~ Transfer of an existing franchise or renewal of an existing franchise. ~~Transfer fee or renewal fee.~~

~~____/____~~ Franchise agreement signed pursuant to an obligation you have under an Area Development Agreement: ~~No initial franchise fee.~~

~~EXHIBIT A~~
~~FRENCHIES, LLC~~

~~FRANCHISE AGREEMENT~~

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

~~PERSONAL GUARANTY AND AGREEMENT TO BE BOUND~~

~~PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT~~

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

~~ARTICLE I PERSONAL GUARANTY~~

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

~~ARTICLE II CONFIDENTIALITY~~

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

iv.) rates charged to customers (subsections i-iv collectively referred to as “**Customer Lists**”); and v.) sources of suppliers, also constitute the trade secrets and confidential proprietary information of Franchisor. Any and all information, knowledge, know-how, techniques, and other data that Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement.

ARTICLE III NON-COMPETITION

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

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

~~a) Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business offering or nail studios or other goods and services offered or authorized for sale by System franchisees (a “**Competitive Business**”); *provided, however,* that this Section does not apply to Franchisee’s operation of any other Nail Studio;~~

~~b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates, or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment; or~~

~~e) Divert or attempt to divert any business or customer of the Nail Studio to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks ~~or~~and the System.~~

~~15.1.2. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that offers or provides hand, foot and/or nail care services or related products and services, other than a Studio operated pursuant to a then-currently effective franchise agreement with Franchisor at any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor or its Affiliates have used, sought registration of or registered the Proprietary Marks or similar marks or operate or license others to operate a business under the Proprietary Marks or similar marks.~~

~~15.2. Non-Competition After Expiration or Termination of Agreement. Commencing upon the later of: (a) a transfer permitted under Article 12 of this Agreement, expiration of this Agreement, or termination of this Agreement (regardless of the cause for termination) or (b) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.2., and continuing for an uninterrupted period of two years thereafter, you shall not either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business that offers or provides hand, foot and/or nail care services or related products~~

and services, other than a Studio operated pursuant to a then-currently effective franchise agreement with Franchisor, and (i) is, or is intended to be, located at the location of the former Franchised Business; or (ii) within a 20-mile radius of the Studio or any other studio operating under the System and Proprietary Marks in existence or under development at the time of such expiration, termination or transfer. If any Owner ceases to be an Owner of the Franchisee for any reason during the franchise term, the foregoing covenant shall apply to the departing Owner for a two-year period beginning on the date such person ceases to meet the definition of an Owner. The obligations described in this Section 15.2. shall be tolled during any period of noncompliance.

15.3. Additional Provisions. The parties acknowledge and agree that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.1. and 15.2., or any portion thereof, without your consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and you and each Owner agree that such person shall comply forthwith with any covenant as so modified. You and each Owner expressly agree that the existence of any claims you may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants in this Article 15. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 15.

15.4. Covenants from Individuals. Each individual who attends Franchisor's training program shall be required to sign a confidentiality and non-competition agreement substantially in the form attached as Attachment D-2 to this Agreement. You shall be responsible for ensuring compliance with such agreement.

15.5. Breach of Covenants Causes Irreparable Injury. You acknowledge that your violation of any covenant of this Article 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

15.6. Exception for Publicly Held Companies. The foregoing restrictions shall not apply to your ownership or any Owner's ownership of less than a 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.7. Improvements. If you, your employees, or Owners develop any new concept, process or improvement in the operation or promotion of the FRENCHIES® Studio (an "Improvement"), you agree to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners hereby assign to Franchisor any rights you or your Owners may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint Franchisor as agent and attorney-in-fact for you and for them to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section 15.7. are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on you or your Owners' rights therein.

16. REPRESENTATIONS

16.1. Representations of Franchisor. Franchisor represents and warrants that (a) Franchisor is duly organized and validly existing under the law of the state of its formation; (b) Franchisor is duly qualified and authorized to do business in each jurisdiction in which its business activities or the nature of the properties it owns requires such qualification; and (c) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within Franchisor's corporate power and have been duly authorized.

16.2. Representations of Franchisee.

16.2.1. You represent and warrant that the information set forth in Attachment C, incorporated by reference hereto, is accurate and complete in all material respects. You shall notify Franchisor in writing within 10 days of any change in the information set forth in Attachment C. You further represent to Franchisor that (a) you are duly organized and validly existing under the law of the state of your formation; (b) you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; and (c) your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the operation of the Franchised Business. You warrant and represent that neither you nor any of your Affiliates or Owners own, operate or have any financial or beneficial interest in any business that is the same as or similar to the FRENCHIES® Studio; and the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement and have been duly authorized.

16.2.2. You acknowledge that you have received a complete copy of Franchisor's Franchise Disclosure Document at least 14 calendar days before you signed this Agreement or paid any consideration to Franchisor for your franchise rights.

16.2.3. You represent that neither your property nor any interest in your property, nor the property of any of your Owners, officers, directors, managers, members, partners, agents or employees, or their respective interests therein, have been blocked pursuant to Executive Order 13224 of September 23, 2001, pertaining to persons who commit, threaten to commit, or support terrorism ("Blocked Persons"). You represent and warrant to Franchisor that you will not accept money from or employ any Blocked Person.

17. NOTICES

17.1. Notices. All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail; by private overnight delivery; or by any reliable electronic system. Service shall be deemed conclusively made (a) at the time of service, if personally served; (b) 24 hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; (c) upon the earlier of actual receipt or three calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; (d) 24 hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and (e) at the time of transmission by telecopier, if such transmission occurs prior to 5:00 p.m. on a Business Day and a copy of such notice is mailed within 24 hours after the transmission. Notices and demands shall be given to the respective parties at the addresses set forth on the Summary Pages, unless and until a different address has been designated by written notice to the other party. Either party may change its address for the purpose of receiving notices, demands and other communications as in this Agreement by providing a written notice given in the manner aforesaid to the other party.

18. CONSTRUCTION

18.1. Entire Agreement. This Agreement and any other agreements executed by the parties concurrently with the parties' execution of this Agreement represent the entire fully integrated agreement between the

parties and supersede all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that Franchisor made in the Franchise Disclosure Document (including its Exhibits and amendments) that Franchisor delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents.

18.2. No Waiver. No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless the same is made in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence in any proceeding, arbitration, or litigation between the parties arising out of or affecting this Agreement, or the rights or obligations of any party hereunder, unless such waiver or modification is in writing, duly executed as aforesaid.

18.3. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

18.4. Survival of Terms. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

18.5. Definitions and Captions. Unless otherwise defined in this body of this Agreement, capitalized terms shall have the meaning ascribed to them in Attachment A (“**Glossary of Additional Terms**”). All captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

18.6. Persons Bound. This Agreement shall be binding on the parties and their respective successors and assigns. Each Owner shall execute the Personal Guaranty and Undertaking attached as Attachment D-1. Failure or refusal to do so shall constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person’s obligations hereunder and under the Personal Guaranty and Undertaking.

18.7. Rules of Construction. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement shall be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

18.8. Timing. Time is of the essence with respect to all provisions in this Agreement. Notwithstanding the foregoing, if performance of either party is delayed on account of a Force Majeure, the applicable deadline for performance shall be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

19. APPLICABLE LAW; DISPUTE RESOLUTION

19.1. Choice of Law. This Agreement and all claims arising out of or related to this Agreement or the parties’ relationship created hereby shall be construed under and governed by the laws of the State of Texas (without giving effect to any conflict of laws).

19.2. Internal Dispute Resolution Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor’s CEO or President and provide Franchisor with 30 days’ notice and opportunity to cure. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring its dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

19.3 Mediation.

19.3.1. At Franchisor’s option, all claims or disputes between you, each Owner, and Franchisor or its affiliates arising out of or in any way relating to this Agreement or any other agreement between you, each Owner, and Franchisor or its affiliates, or any of the parties’ respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth in Section 19.2 above, must be submitted first to mediation under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Mediation shall be held at the offices of the AAA in the city where Franchisor maintains its principal business offices. Each party will bear its own costs of mediation, and the compensation and expenses of the mediator (but excluding attorneys’ fees incurred by either party), shall be borne by the parties equally.

19.3.2 Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify you whether Franchisor or its affiliates elect to exercise our option to submit claims or disputes to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of Franchisor’s written declaration. Franchisor’s right to mediate, as set forth herein, may be specifically enforced by Franchisor. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

19.3.3. Notwithstanding the foregoing provisions of this Section 19.3.3., the parties’ agreement to mediate shall not apply to any controversy, dispute or claim related to or based on (a) any federally protected intellectual property rights in the Proprietary Marks, the System, any Confidential Information, (b) amounts owed to Franchisor pursuant to this Agreement or (c) for temporary or preliminary injunctive or other extraordinary relief sought (“**Excepted Claims**”). Any Excepted Claims may be brought in any court of competent jurisdiction.

19.4. Arbitration. Except for any Excepted Claims which either party has the right to bring in any court of competent jurisdiction, you and we agree to submit any claim, controversy or dispute (collectively, “**Dispute**”) between us or any of our affiliates (and/or their respective shareholders, officers, directors, agents, representatives and/or employees) and you (and/or your owners, guarantors, agents, representatives and/or employees, as applicable) arising out of or related to (a) this Agreement or any other agreement between us and you, (b) our relationship with you, (c) the validity of this Agreement or any other agreement between us and you, or (d) any System standard, to arbitration.

The parties agree that notwithstanding anything to the contrary in this Agreement, Disputes shall be submitted to binding arbitration in accordance with this Section 19.4. The arbitration shall be conducted through the American Arbitration Association (“AAA”) and in accordance with the AAA’s Commercial Arbitration Rules (“**Rules**”). The arbitration shall be conducted by one (1) arbitrator selected by agreement of the parties or (in the event the parties cannot agree) in accord with the Rules. The arbitrator shall apply the Federal Rules of Evidence during the conduct of the sessions with respect to the admissibility of evidence. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. § 1-16. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof and will be final, binding and non-appealable, except as set forth below. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The place of arbitration shall be in the county in which Franchisor maintains its principal business offices at the time of arbitration, currently set in Tarrant County, Texas, unless otherwise mutually agreed between the parties. Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished its right to seek the recovery of those costs in accordance with Section 19.9. The arbitrator, in the conduct of the arbitration, shall not have the authority to declare any Proprietary Mark generic or otherwise invalid. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The parties agree that all Disputes submitted to arbitration shall be conducted on an individual, and not a class wide, basis, and that only Franchisor (and its affiliates and its and their respective owners, officers, directors, agents and employees, as applicable) and Franchisee (and its affiliates and its and their respective owners, guarantors, officers and directors, as applicable) may be the parties to any arbitration proceeding described in this Section 19.3., and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Franchisor and/or any other natural person, association, corporation, partnership, limited liability company or other entity.

If any party to an arbitration wishes to appeal any final award by the arbitrator, such party may appeal, within thirty (30) days of such final award, to a different arbitrator appointed in the same manner as set forth above. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial de novo or other fact-finding function. The party requesting such appeal must have paid for a court reporter to make a written record of the arbitration hearing and must pay all costs charged by such appeal panel, as well as posting any bond deemed appropriate by the appeal panel. Any party that does not pay for or share in the payment for a transcript of the arbitration hearing cannot challenge any ruling by the arbitrator on appeal, even if the opposing party does appeal.

19.5. Interpretation of Rights and Obligations.

19.5.1. No right or remedy conferred upon or reserved to Franchisor or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

19.5.2. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

19.5.3. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact), will substitute their judgment for our reasonable business judgment.

19.6. WAIVER OF JURY TRIAL. FRANCHISOR AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

19.7. WAIVER OF PUNITIVE DAMAGES. YOU HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE,

EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS) AGAINST FRANCHISOR ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE) AND AGREE THAT, IN THE EVENT OF A DISPUTE, YOUR RECOVERY IS LIMITED TO ACTUAL DAMAGES. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS WILL CONTINUE IN FULL FORCE AND EFFECT, INCLUDING, WITHOUT LIMITATION, THE WAIVER OF ANY RIGHT TO CLAIM ANY CONSEQUENTIAL DAMAGES.

19.8. Right to Injunctive Relief. Nothing contained in this Agreement will prevent Franchisor from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests, without bond, against conduct or threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

19.9. Limitation of Action. You further agree that no cause of action arising out of or under this Agreement may be maintained by you against Franchisor unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off. You hereby waive the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

19.10. Attorneys' Fees. If you are in breach of any monetary or non-monetary material obligation under this Agreement or any related agreement between you and Franchisor and/or its affiliates, and Franchisor engage an attorney to enforce its rights (whether or not formal judicial proceedings are initiated), you must pay all of Franchisor's reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If you institute any legal action to interpret or enforce the terms of this Agreement, and your claim in such action is denied or the action is dismissed, Franchisor is entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

19.11. Jurisdiction and Venue. Subject to Sections 19.2, 19.3 and 19.4 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state or federal court closest to where Franchisor maintains its principal business offices at the time of filing, currently Tarrant County, Texas (unless settled by the parties after such action is initiated). You acknowledge that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 19.8 above. You hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

19.12. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates noted below, but effective for all purposes as of the Effective Date.

FRANCHISOR

FRANCHISEE

FRENCHIES, LLC

ENTITY

By: _____
Scot Canon, Brand Leader

By: _____
NAME, TITLE

Date: _____

Date: _____

FRENCHIES, LLC
FRANCHISE AGREEMENT
ATTACHMENT A
GLOSSARY OF ADDITIONAL TERMS

“Account” means your commercial bank operating account.

“Affiliate” means an affiliate of a named person identified as any person or entity that is controlled by, controlling or under common control with such named person.

“Agreement” means the Franchise Agreement.

“Business Day” means each day other than a Saturday, Sunday, U.S. holiday or any other day on which the Federal Reserve is not open for business in the United States.

“Business Entity” means any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

“Confidential Information” means all trade secrets, and other elements of the System; all customer information, including all data collected from former, existing, and/or potential customers including customer names and addresses, discounts and credit extensions to customers, customer contracts, designs, and status information; all information or data stored or entered into the POS system; all information contained in the Manuals; Franchisor’s standards and specifications for all services and products offered at FRENCHIES® Studios; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that Franchisor designates.

“Control Date” means the date specified in the Summary Pages and Attachment B which is the date by which you must open a studio at a site accepted by Franchisor for the development of the Studio.

“Copyrighted Works” means works of authorship which are owned by Franchisor and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Proprietary Marks, Franchisor’s product packaging, and advertising and promotional materials, and the content and design of Franchisor’s Website and advertising and promotional materials.

“Crisis Management Event” means any event that occurs at or about the Studio premises or in connection with the operation of the Franchised Business that has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, or any other circumstance which may materially and adversely affect the System, or the goodwill symbolized by the marks.

“Customer Information” means all data collected from former, existing, and/or potential customers including customer names and addresses, discounts and credit extensions to customers, customer contracts, designs, and status information.

“Force Majeure” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics; or other similar forces which could not, by the exercise of reasonable diligence, have been avoided; provided, however, that neither an act or failure to act by a government authority, nor the performance, nonperformance, or exercise of rights by your lender, contractor, or other person qualifies as a Force Majeure unless the act, failure to act, performance, non-performance, or exercise of rights resulted from a Force Majeure. Your financial inability to perform or your insolvency is not a Force Majeure.

“Gross Revenue” is defined as the total amount of revenues you receive from all business activities and all other income of every kind and nature related to, derived from, or originating from the Studio, plus the fair

market value of products delivered and services rendered to you in consideration for products and services provided in, from, or in conjunction with your Studio. Gross Revenues excludes bona fide refunds, credits for returns, and amounts collected and paid for sales taxes.

“General Manager” means an individual who Franchisee has designated, and Franchisor has approved, who has full control over the day-to-day management and operations of the Studio, who has completed Franchisor’s initial training program and all additional training (including continuing education requirements for certified or licensed General Managers) that Franchisor requires, to Franchisor’s satisfaction, and who devotes his or her full-time best efforts to Studio management and operations.

“Manuals” means manuals to which the franchisee has been provided access by Franchisor.

“Managing Owner” means the Owner appointed as the primary overseer of the operation of the franchised business and who holds a minimum 10% ownership interest in the franchisee. The Managing Owner may also be the General Manager.

“Owner” means each individual or entity holding a beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

“Proprietary Marks” means certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “FRENCHIES” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System.

“Manual” means the compilation of information and knowledge that is necessary and material to the System. The term Manual, as used in this Agreement, includes all publications, materials, drawings, memoranda, videotapes, CDs, DVDs, MP3s, and other electronic media that Franchisor from time to time may loan to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotape, CD, DVD, MP3, or other communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a FRENCHIES® Studio.

“Studio” means a physical structure, identified by the name FRENCHIES®, which is separated from other businesses by one or more exterior walls or interior demising walls, and at which hand and foot care services, including manicures, pedicures and related services, are provided, as well as approved retail items. The term “Studio” also includes facilities located in Closed Markets regardless of any differences (for example in offering, footprint, or structure) to other FRENCHIES® Studios.

“System” means a distinctive system relating to the establishment and operation of a boutique studio offering hand and foot care services and related products and services under the trade name and trademark FRENCHIES®.

“You” means the franchisee identified above and its successors and assigns.

FRENCHIES, LLC
FRANCHISE AGREEMENT

ATTACHMENT B
THE SITE SELECTION AREA, CONTROL DATE, FRANCHISED LOCATION,
AND THE PROTECTED AREA

Section 3.1. Within the _____ MSA, The Site Selection Area is: _____

IN WITNESS WHEREOF, the parties have executed this Attachment B on _____.

<u>FRANCHISOR</u>	<u>FRANCHISEE</u>
<u>FRENCHIES, LLC</u>	<u>ENTITY</u>

By: _____	By: _____
Scot Canon, Brand Leader	NAME, TITLE

As of the date set forth below, the Franchise Location has been determined and, as such, Attachment B is supplemented as follows:

Section 1.1.2. The Franchised Location is at: _____

Section 3.5.1. The Control Date is: The first anniversary of the Effective Date _____

Section 1.2. The Protected Area is: _____.

The Protected Area excludes all Closed Markets within such area. A "**Closed Market**" is any facility serving a captive market, including hotels, resorts, airports, public facilities, college and school campuses, military bases, and any other mass gathering events or locations, and facilities of any kind for which hand, foot and nail care services rights are, or may reasonably be anticipated to be, contracted to a third party or parties.

If the Protected Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Protected Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

IN WITNESS WHEREOF, the parties have supplemented this Attachment B on _____.

<u>FRANCHISOR</u>	<u>FRANCHISEE</u>
<u>FRENCHIES, LLC</u>	<u>ENTITY</u>

By: _____	By: _____
Scot Canon, Brand Leader	NAME, TITLE

FRENCHIES, LLC

FRANCHISE AGREEMENT

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

a) ~~For a period of (2) years after the transfer by you, or the expiration or termination of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, lender, or joint venturer of any other person, firm, entity, partnership, corporation, or company:~~

~~(i) Own, operate, lease to or lease from, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in offering nail care services, which is located within the Protected Territory or within a ten (10) mile radius of any FRENCHIES studio, wherever located, whether within the Protected Territory or elsewhere.; or~~

~~(ii) Solicit business from customers of Franchisee's former Nail Studio; or~~

~~(iii) Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, to discontinue employment.~~

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

ARTICLE IV MISCELLANEOUS

1) ~~**Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its system.~~

2) ~~**Governing Law.** This Guaranty will be deemed to have been made in and governed by the laws of the state of Colorado.~~

3) ~~**Dispute Resolution.** Any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty will be enforced according to **Section 18** of the Franchise Agreement.~~

4) ~~**Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, members, managers, agents, and employees are express third party beneficiaries of the Franchise Agreement and this Guaranty, and the enforcement provisions contained therein, each having authority to specifically enforce the right to mediate, arbitrate, or litigate claims asserted against them by you.~~

5) ~~**Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement will not be a waiver of Franchisor's right to do so, any law, custom,~~

~~usage, or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.~~

~~6) **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other that would render it valid and enforceable, the provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Guaranty will be construed according to its fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in the Guaranty, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty is stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.~~

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

~~8) **Successors.** References to "Franchisor," "Franchisee," "the undersigned," or "you" include the respective parties' successors, assigns, or transferees.~~

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

ATTACHMENT C ENTITY INFORMATION

If the franchisee is an entity, you represent and warrant that the following information is accurate and complete in all material respects as of _____.

(1) Franchisee is a _____, formed under the laws of the State of _____.

(2) You shall provide to Franchisor concurrently with the execution hereof true and accurate copies of the franchisee's charter documents and governing documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.

(3) You promptly shall provide such additional information as Franchisor may from time-to-time request concerning all persons who may have any direct or indirect financial interest in the franchisee entity.

(4) The name and address of each of Owner:

PERSONAL GUARANTORS & SPOUSES:	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST
NAME		
<u>Signed (Individually)</u>	<u>Signed (Individually)</u>	
<u>Print Name</u>	<u>Print Name</u>	
<u>Address</u>	<u>Address</u>	
<u>City/State/Zip</u>	<u>City/State/Zip</u>	
<u>Telephone</u>	<u>Telephone</u>	
<u>Signed (Individually)</u>	<u>Signed (Individually)</u>	
<u>Print Name</u>	<u>Print Name</u>	
<u>Address</u>	<u>Address</u>	

(5) The address where the Franchisee's financial records, and other records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

<u>FRANCHISOR</u>	<u>City/State/Zip</u>	<u>City/State/Zip</u>
<u>Telephone</u>	<u>Telephone</u>	

EXHIBIT B

FRANCHISEE

FRENCHIES, LLC- _____ **ENTITY**

By: _____ By: _____
Scot Canon, Brand Leader NAME, TITLE

FRENCHIES, LLC

FRANCHISE AGREEMENT

~~GENERAL RELEASE~~

GENERAL RELEASE

In consideration of the agreement of
ATTACHMENT D-1
PERSONAL GUARANTY AND UNDERTAKING

- 1. I have read the Franchise Agreement between Frenchies, LLC (“Franchisor”) and _____ (the “Franchisee”).
- 2. I own a beneficial interest in the Franchisee and would be considered an “Owner” within the definition contained in the Franchise Agreement.
- 3. I understand that, were it not for this Personal Guaranty and Undertaking (the “Guaranty”), Franchisor would not have agreed to enter into the Franchise Agreement with the Franchisee. In consideration of the grant by Franchisor of a franchise pursuant to the Franchise Agreement, I hereby agree, to be firmly bound by all of the terms, provisions and conditions of the Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness to Franchisor or its affiliates of Franchisee arising under or by virtue of the aforesaid Franchise Agreement.
- 4. I will comply with the provisions contained in Article 7 of the Franchise Agreement concerning the Franchisee’s use of Franchisor’s Proprietary Marks and Copyrighted Works (as each **FRENCHIES, LLC** (“Franchisor”) to allow _____ (“Franchisee”) to [RENEW OR TRANSFER] its Franchise Agreement dated _____ between Franchisee and Franchisor (“Agreement”), Franchisee hereby releases and forever discharges Franchisor, and its affiliates, as well as their members, directors, officers, employees, and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors, and assigns, from any and all claims Franchisee may have against parties known and unknown, foreseen and unforeseen, from the beginning of time to the date of this General Release, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Agreement or under any other agreement between Franchisee and Franchisor or its affiliates.

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

~~[FOR WASHINGTON FRANCHISEES: This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.]~~

FRANCHISEE:

SIGNED:

By:

ITS:

DATE:

~~EXHIBIT C~~

~~FRENCHIES, LLC~~

~~FRANCHISE AGREEMENT~~

~~COLLATERAL ASSIGNMENT OF LEASE~~

COLLATERAL ASSIGNMENT OF LEASE

~~FOR VALUE RECEIVED~~, the undersigned (“**Assignor**”) hereby assigns and transfers to **FRENCHIES, LLC**, a Colorado limited liability company with a principal business address of 550 Reserve Street, Suite 380, Southlake, Texas 76092 (“**Assignee**”), all of Assignor’s right, title, and interest as tenant in, to, and under that certain lease, a copy of which is attached to this Agreement as **Exhibit 1** (the “**Lease**”) respecting the premises commonly known as _____ . This Assignment is for collateral purposes only and except as specified in this Agreement, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease under the terms of this Agreement and assumes the obligations of Assignor under the Lease. Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interest in the Lease and that Assignor has not previously assigned or transferred—and is not obligated to assign or transfer—any of its interest in the Lease or the premises demised by the Lease.

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

~~Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term is defined in the Franchise Agreement). I understand that, except for the license granted to the Franchisee, I have no individual right to use the Proprietary Marks or Copyrighted Works and I have no ownership interest in the Proprietary Marks or Copyrighted Works.~~

5. I will comply with all of the provisions contained in Article 8 of the Franchise Agreement concerning the use of the Confidential Manuals and Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except (a) to the Franchisee’s employees on a need-to-know basis, (b) to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and (c) as otherwise may be required by law.

6. I will comply with all of the provisions contained in Article 12 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.

7. While I am an Owner of the Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration (without renewal) of the Franchise Agreement and any renewals, whichever occurs first), I will not:

(a) Divert or attempt to divert any present or prospective customer of a FRENCHIES® Studio to any competitor or do anything to harm the goodwill associated with the Proprietary Marks and the System;

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that offers or provides manicures, pedicures, other hand, foot and nail care services, and related products and services, other than a Studio operated pursuant to a then-currently effective franchise agreement. This restriction shall apply, while I am an Owner, to any location within the United States, its

territories or commonwealths, or any other country, province, state or geographic area in which Franchisor or its Affiliates have used, sought registration of or registered the Proprietary Marks or similar marks or operate or license others to operate a business under the Proprietary Marks or similar marks. It will apply for two years after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, Assignor agrees whichever occurs first) to any location that (i) is, or is intended to be, located at the location of the former Franchised Business; or (ii) within a 20-mile radius of the Franchised Location or any other studio operating under the System and Proprietary Marks in existence or under development at the time I cease being an Owner (or termination or expiration of the Franchise Agreement, whichever occurs first). This restriction will be tolled during any period of my noncompliance.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

9. I understand and acknowledge that ~~it must elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day~~ Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10. I agree that the provisions contained in Article 19 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

11. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement, except for damages in the nature of lost profits or lost future royalties caused by the premature termination of the Franchise Agreement or early closure of the FRENCHIES® Studio. I understand that I am not personally responsible for any lost profits or lost future royalties that Franchisor may incur based on the premature termination of the Franchise Agreement or early closure of the FRENCHIES® Studio.

12. I will pay all amounts due under this Guaranty within 14 days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee before seeking recovery from me under this Guaranty.

13. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

14. I hereby waive (a) all rights described in California Civil Code Section 2856(a)(1)-(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855, inclusive; and (b) California Civil Code Sections 2899 and 3433.

15. I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.

16. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

17. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after electronically confirmed transmission by any reliable electronic system; one Business Day after delivery by Express Mail or other recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

Intending to be legally bound, I have executed this Personal Guaranty and Undertaking on the date set forth below:

GUARANTOR

Dated: _____

Name: _____

Address: _____

Fax: _____

Dated: _____

Name: _____

Address: _____

Fax: _____

FRENCHIES, LLC ~~option must be exercised, unless~~

Assignee

FRANCHISE AGREEMENT

ATTACHMENT D-2

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

(for trained employees of Franchisee)

In accordance with the terms of this Confidentiality and Non-Competition Agreement (“**Confidentiality Agreement**”) and in consideration of my being a _____ of _____ (the “**Franchisee**”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. _____ doing business as _____ (the “**Franchisee**”), has acquired the right and franchise from Frenchies, LLC (“**Franchisor**”) to establish and operate a Franchised Business (the “**Franchised Business**”) and the right to use in the operation of the Franchised Business Franchisor’s trade names, trademarks, service marks, including the service mark FRENCHIES® (the “**Proprietary Marks**”) and the system developed by Franchisor and/or its affiliates for operation and management of Studios (the “**System**”), as they may be changed, improved, and further developed from time to time in Franchisor’s sole discretion.

2. Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes the Manuals, trade secrets, and copyrighted materials, methods, and other techniques and know-how (the “**Confidential Information**”).

3. Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Confidentiality Agreement.

4. As _____ of the Franchisee, Franchisor and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor’s operations manual (the “**Manual**”) and other general assistance during the term of this Confidentiality Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, ~~If Assignee does not otherwise agree, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.~~

7. Except as otherwise approved in writing, ~~and by Franchisor, I shall not, while in my position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, and continuing for a two (2) year period thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with~~

any other person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business that offers or provides manicures, pedicures, other hand, foot and nail care services, and related products and services within a 20-mile radius of any FRENCHIES® Studio, as that term is defined in the Franchise Agreement. This restriction does not apply to my ownership of less than five percent beneficial interest in the outstanding securities of any publicly held corporation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.

9. I understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon failure receipt by me of Assignor written notice thereof, and I agree to elect to extend comply forthwith with any covenant as so modified.

10. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or renew jointly with the Lease as outlined Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

11. This Confidentiality Agreement shall be construed under the laws of the State of Texas. The only way this Confidentiality Agreement can be changed is in writing signed by both the Franchisee and me.

12. With respect to all claims, controversies and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the state and federal courts in the county in which Franchisor maintains its principal business offices at the time of the claim, currently set in Tarrant County, Texas. I acknowledge that this Confidentiality Agreement has been entered into in the state of Texas, and that I am to receive valuable information emanating from Franchisor's offices in Southlake, Texas. In recognition of the information and its origin, I hereby irrevocably consent to the personal jurisdiction of the state and federal courts of Texas as set forth above, Assignor appoints Assignee as its true and lawful attorney-in-fact to exercise the extension or renewal options in the name, place, and stead of Assignor for the purpose of effecting. Notwithstanding the foregoing, I acknowledge and agree that Franchisor or the Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

[EMPLOYEE]

ACKNOWLEDGED BY FRANCHISEE

Signature: _____ By: _____

Name: _____ Name: _____

Address: _____ Title: _____

Title: _____

Date: _____ Date: _____

FRENCHIES, LLC

FRANCHISE AGREEMENT

~~the extension or renewal.~~

ATTACHMENT E
ACH
AUTHORIZATION
AUTHORIZATION
AGREEMENT FOR
DIRECT
PAYMENTS (ACH
DEBITS)

Please complete and
sign this form.

Business or Legal Entity _____

Account Number & Location _____

Name of Person to Receive ACH Debit Advice _____

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

-I (we) hereby authorize Frenchies, LLC (“Company”) to make regular and occasional ACH withdrawals from my (our) account at the financial institution named below. I also authorize the Company to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.

Without limited the forgoing, I expressly authorize Company the right to withdraw: and Royalty fee, Technology fee, Marketing fee, and any other amount owed to Company. I agree to indemnify the Company for any loss arising in the event that any withdrawals from my (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

This agreement will remain in effect until the Company has received advanced written notice of cancellation from me (us) in such time and in such manner as to afford the Company a reasonable opportunity to act on it, and in no event shall such notice period be less than thirty (30) days.

Signature: _____

	<u>Checking</u> <u>Savings</u> <input type="checkbox"/> <input type="checkbox"/>
<u>Signature</u>	
Primary):	<u>Date:</u>
oint):	<u>Date:</u>
se sign here:	<i><u>(Joint accounts require the signature of all persons having authority over</u></i>
heck at right, scan or mail to:	
ccounting ATTACH CHECK HERE	
ce 380, Southlake, Texas 76092	

Notary Public

ITS:

~~CONSENT AND AGREEMENT OF LESSOR~~

~~The undersigned Lessor~~

FRENCHIES, LLC
FRANCHISE AGREEMENT

ATTACHMENT F
LEASE ADDENDUM

THIS LEASE ADDENDUM (the “**Lease Addendum**”) is made and entered into as of the ____ day of _____, 20____, by and between _____ (“**Landlord**”), with its principal offices at _____ and _____ (“**Franchisee**” or “**Tenant**”), with its principal offices at _____, and Frenchies, LLC (“**Franchisor**”) with its principal offices at 550 Reserve Street, Suite 380, Southlake, Texas 76092.

BACKGROUND

- A. Frenchies, LLC or its affiliates, and their successors or assigns (“**Franchisor**”) franchises the operation of a boutique studio (each, a “**FRENCHIES® Studio**” or “**Studio**”) featuring hand, foot and nail care services, as well as related services and products under the name FRENCHIES® and/or other trademarks, service marks, logos, and other indicia of origin prescribed by Franchisor (collectively, the “**Proprietary Marks**”).
- B. Franchisee has acquired the right and has undertaken the obligation to develop and operate FRENCHIES® Studio pursuant to the terms and conditions of a certain franchise agreement between Franchisee and Franchisor (“**Franchise Agreement**”).
- C. Under the terms and conditions of the Franchise Agreement, Franchisor has the right to approve the site for the Studio; and if the Studio premises will be occupied pursuant to a commercial lease, Franchisor has prescribed certain lease terms and has the right to condition its approval of a proposed site on inclusion of the prescribed lease terms.
- D. Franchisee desires, and has requested Franchisor’s approval, to develop and operate one FRENCHIES® Studio at the premises (“**Premises**”) identified in the attached lease (“**Lease**”).
- E. Landlord desires to lease to Franchisee the Premises for purposes of developing and operating one FRENCHIES® Studio.
- F. The parties desire to modify and amend the Lease in accordance with the terms and conditions contained herein for purposes of obtaining Franchisor’s approval.
- (1) During the term of the Franchise Agreement, the Premises will be used only for the operation of the Studio.
- (2) Landlord consents to Franchisee’s use of such Proprietary Marks and signs, interior and exterior décor, furnishings, fixtures, items, color schemes, plans, specifications, and related components of the FRENCHIES® System (as defined in the Franchise Agreement and as Franchisor may prescribe for the Studio).
- (3) Landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Franchisee.
- (4) Franchisor will have the right to enter onto the Business premises at any time, to make any modification or alteration necessary to protect the FRENCHIES® System and Proprietary Marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort, and the Landlord will not be responsible for any expense or damages arising from Franchisor’s action in connection therewith.

(5) In the event of Franchisee's default under the terms of the Lease, Landlord shall promptly deliver notice of such default to Franchisor and shall offer Franchisor the opportunity to cure the default and to assume the Lease in Franchisor's name. If Franchisor elects to cure the default and assume the Lease, Franchisor, within 10 days of its receipt of notice from Landlord, shall notify Landlord of its intent to cure such default and to assume the Lease. If Franchisor elects to cure the default, it shall cure the default within 30 days of such election or, if the default cannot be reasonably cured within such 30-day period, then Franchisor will commence and proceed to cure the default within such time as is reasonably necessary to cure the default. If Franchisor elects to assume the Lease, Landlord agrees to recognize Franchisor as the tenant under the Lease and Franchisee will no longer have any rights there under.

(6) Upon the termination, expiration or non-renewal of the Franchise Agreement, the Franchisor may elect to assume the Lease. If such an election is made the Franchisee agrees it shall assign the Lease and the Landlord hereby consents to such assignment and agrees not to impose or assess any assignment fee or similar charge or accelerate rent under the Lease in connection with such assignment, or require Franchisor to pay any past due rent or other financial obligation of Franchisee to Landlord, it being understood that Landlord will look solely to the Franchisee for any rents or other financial obligations owed to Landlord prior to such assignment. Landlord and Franchisee acknowledge that Franchisor is not a party to the Lease and will have no liability under the Lease, unless and until the Lease is assigned to, or assumed by, Franchisor.

(7) Except for Franchisee's obligations to Landlord for rents and other financial obligations accrued prior to the assignment of the Lease, in the event of such assignment, Franchisor or any affiliate designated by Franchisor will agree to assume from the date of assignment all obligations of Franchisee remaining under the Lease, and in such event Franchisor or any affiliate will assume Franchisee's occupancy rights, and the right to sublease the Premises, for the remainder of the term of the Lease. In the event of such assignment, neither Franchisor nor any affiliate will be required to pay to Landlord any security deposit.

(8) Notwithstanding anything contained in this Lease, Franchisor is expressly authorized, without the consent of the Landlord, to assign the Lease, or to sublet all or a portion of Premises, to an authorized franchisee. If Franchisor elects to assign the Lease, the subtenant/franchisee shall expressly assume all of Franchisor's obligations under the Lease, and Franchisor shall be released of all obligations to Landlord under the Lease as of the date of assignment. If Franchisor elects to sublet the premises, such subletting shall be subject to the terms of this Lease, the subtenant/franchisee shall expressly assume all of Franchisor's obligations under the Lease, and Franchisor shall remain liable for the performance of the terms of this Lease. Franchisor shall notify Landlord as to the name of the subtenant/franchisee within 10 days after such assignment or subletting, as applicable.

(9) Franchisee will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor.

(10) Neither Landlord nor Franchisee shall amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(11) All notices hereunder shall be by certified mail to the addresses set forth above or to such other addresses as the parties hereto may, by written notice, designate. Notices required to be given to Franchisor shall be delivered to the following address: 550 Reserve Street, Suite 380, Southlake, Texas 76092.

(12) This Lease Addendum shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.

The terms of this Lease Addendum will supersede any conflicting terms of the Lease.

IN WITNESS WHEREOF, the parties have executed this Lease Addendum as of the date first above written.

Landlord:

By:

Name:

Title:

Franchisee:

By:

Name:

Title:

Frenchies, LLC

By:

Name:

Title:

FRENCHIES, LLC

FRANCHISE AGREEMENT under the Lease described in this Collateral Assignment of Lease:

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

~~DATED:~~ _____

~~LESSOR:~~ _____

SIGNED:

BY:

ITS:

Exhibit 1 to

Collateral Assignment of Lease

~~LEASE AGREEMENT~~

EXHIBIT D

ATTACHMENT G
TELEPHONE NUMBER ASSIGNMENT AGREEMENT

THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT is made and entered into on _____, (“Assignment”) by and between _____ (hereinafter the “Assignor”) and Frenchies, LLC (hereinafter the “Assignee”).

WITNESSETH:

WHEREAS, the Assignee has developed and owns the proprietary system (“System”) for the operation of a boutique studio offering hand, foot and nail care services, as well as related services and products under the trademark and logo FRENCHIES (the “Franchised Business”);

WHEREAS, the Assignor has been granted a license to operate a Franchised Business pursuant to a Franchise Agreement dated _____, in accordance with the System (“Franchise Agreement”);

WHEREAS, in order to operate its Franchised Business, the Assignor shall be acquiring one or more telephone numbers, telephone listings and telephone directory advertisements; and

WHEREAS, as a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign all of its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements to the Assignee in the event of the expiration or termination of the Franchise Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. In the event of termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the System, the Assignor hereby sells, assigns, transfers and conveys to the Assignee all of its rights, title and interest in and to certain telephone numbers, telephone listings and telephone directory advertisements pursuant to which Assignor shall operate its Franchised Business in accordance with the terms of the Franchise Agreement; provided, however, such Assignment shall not be effective unless and until the Franchise Agreement expires or is terminated in accordance with the provisions thereof.

2. Representation and Warranties of the Assignor. The Assignor hereby represents, warrants and covenants to the Assignee that:

(a)As of the effective date of the Assignment, all of the Assignor’s obligations and indebtedness for telephone, telephone listing services and telephone directory advertisement services shall be paid and current;

(b)As of the date hereof, the Assignor has full power and legal right to enter into, execute, deliver and perform this Agreement;

(c)This Agreement is a legal and binding obligation of the Assignor, enforceable in accordance with the terms hereof;

(d)The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which the Assignor is a party

or by which the Assignor is bound, and no consent of nor approval by any third party is required in connection herewith; and

(e)The Assignor has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements (individually and collectively referred to as “Listings”), and the Assignor has obtained all necessary consents to this Assignment.

(f)Notwithstanding the foregoing, Assignor hereby warrants and represents to Assignee that Assignor will within one (1) business day following Assignor’s receipt of Assignee’s request to acquire the Listings to immediately instruct each of Assignor’s providers to initiate the process and provide the vendors’ documents necessary to complete the assignment. Assignee further warrants and represents that Assignee will take no action to impede or prohibit the successful assignment of the Listings to Assignor, and that Assignor shall fully cooperate with Assignee with regard to the assignment; specifically in the execution of any documentation required by Assignor’s provider(s) to effectuate the assignment of the telephone numbers and Listings.

3. Miscellaneous. The validity, construction and performance of this Assignment shall be governed by the laws of the State of Texas. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of the Assignee shall inure to its benefit and to the benefit of its successors and assigns.

IN WITNESS WHEREOF, each of the parties has executed this Assignment as of the day and year first written above.

ASSIGNEE:

ASSIGNOR:

FRENCHIES, LLC

ENTITY

A Colorado limited liability company

By:

Scot Canon, Brand Leader

By:

NAME, TITLE

Date:

Date:

CALIFORNIA
AMENDMENT ~~FRANCHISE~~
~~LLC~~

~~FRANCHISE AGREEMENT~~

STATE-SPECIFIC ADDENDA TO
FRANCHISE AGREEMENT

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

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

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

~~The California Franchise Relations Act (THIS AMENDMENT TO FRANCHISE AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “Franchise Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.~~

~~1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq., (collectively, the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

~~1. a. California Business and Professions Code Sections 20000 through 20043), provides franchisees with additional provide rights to the franchisee concerning termination, renewal, or non-renewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to termination, renewal, or non-renewal may be superseded by the Act. There may also be court decisions that may supersede the Franchise Agreement and your relationship with Franchisor, including the areas of termination, renewal, or non-renewal of Franchisee’s franchise. If the Franchise Agreement or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with the law, the law will control.~~

~~2. The Franchise Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section b. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000—20043)). To the extent required by such laws, Franchisee shall not be required to execute a general release. §§20000 through 20043).~~

~~3. c. The Franchise Agreement requires application of the laws and forum of Colorado provides for termination upon bankruptcy. This provision may not be enforceable under California federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).~~

~~4. d. The Franchise Agreement contains a covenant not to compete that extends beyond the termination or non-renewal of the franchise. This provision may not be enforceable under California law.~~

~~5. e. The provision in the Franchise Agreement that terminates the franchise upon the bankruptcy requires litigation, arbitration, or mediation to be conducted in a forum other than the State of the Franchisee California. This requirement may not be enforceableunenforceable under Title 11, United States Code, Section 101. California law.~~

~~The franchise agreement contains a liquidated damages clause.f. The Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.~~

~~6. g. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671-, the liquidated damage clause may be unenforceable.~~

~~7. 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.~~

~~California has imposed a fee deferral condition because the California 2. To the extent that Section 19.1 of the Agreement (pertaining to choice of law) conflicts with California law, California law will control.~~

~~3. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.~~

~~4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.~~

~~8. 5. Fee Deferral. The Department of Financial Protection and Innovation has determined that we, the franchisor has Franchisor, have not demonstrated itwe are adequately capitalized and/or that itwe must rely on franchise fees to fund our operations. Accordingly, the franchisor will The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees Franchisees until it haswe have completed all of itour pre-opening obligations and you are open for business.~~

~~9. Section 21 of the Franchise Agreement, "Acknowledgments," is hereby deleted in its entirety.~~

~~10. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition Franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.~~

~~11. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.~~

~~6. No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.~~

~~7. To the extent that Section 15.1 of the Agreement (pertaining to choice of law) conflicts with California law, California law will control.~~

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

FRANCHISOR: ~~_____~~ **FRENCHIES, LLC-** _____

FRANCHISEE: _____

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

ADDENDUM

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

**HAWAII AMENDMENT TO ~~FRENCHIES, LLC~~ d/b/a FRENCHIES
FRANCHISE AGREEMENT ~~REQUIRED FOR THE STATE OF HAWAII~~**

THIS AMENDMENT TO FRANCHISE AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “Franchise Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

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 OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR 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.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

The State of Hawaii has required a financial assurance. Therefore, a deferral of the payment of the initial franchise fee and any other initial payments made by the franchisee to the franchisor will be required until all of the pre-opening obligations of the franchisor have been satisfied and the franchise has opened for business. If more than one location is contemplated through an area development agreement, then the total amount to be collected will be prorated and collected by the franchisor as each ~~store~~studio is opened under the development agreement.

~~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.~~

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

forth above.

FRANCHISOR: ~~FRENCHIES, LLC~~ **FRANCHISEE:**

SIGNED: _____ **SIGNED:**

BY: _____ **BY:**

ITS: _____ **ITS:**

DATE: _____ **DATE:**

ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES

FRANCHISE AGREEMENT REQUIRED FOR THE STATE OF ILLINOIS

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

~~Illinois law governs the Franchise Agreement.~~

~~In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.~~

~~Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.~~

~~In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.~~

~~No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

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

FRANCHISOR: FRENCHIES, LLC _____ **FRANCHISEE:**

SIGNED: _____ **SIGNED:**

BY: _____ **BY:**

ITS: _____ **ITS:**

DATE: _____ **DATE:**

ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES

FRANCHISE AGREEMENT REQUIRED FOR THE STATE OF INDIANA

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

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

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

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

2. 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.

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

FRANCHISOR: ~~_____~~ **FRENCHIES, LLC-** _____ **FRANCHISEE:** _____

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

ADDENDUM

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

**ILLINOIS AMENDMENT TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT**

THIS AMENDMENT TO FRANCHISE AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “Franchise Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

REQUIRED FOR THE STATE OF MARYLAND

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

~~Recital D of the~~ In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois

~~Franchise Agreement~~ Disclosure Act or any other law of Illinois is deleted in its entirety void.

~~Section 13.B.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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRENCHIES, LLC

FRANCHISEE

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

MARYLAND AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement is revised to provide that, pursuant to (the “Franchise Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

~~2. 1. Any provision requiring you to COMAR 02.02.08.16L, the sign a general release required as a condition to renewal, sale or consent to assignment/transfer, of any and all claims against us shall not apply to any liability claims arising under the Maryland Franchise Registration and Disclosure Law.~~

~~3. Section 14.A of the Franchise Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but Franchisor intends to enforce it to the extent enforceable.~~

~~4. Section 18.F of the Franchise Agreement is revised to include the following language:~~

~~“Notwithstanding the standing provisions of this section, 2. Any provision requiring you may to bring a lawsuit an action against us in any state other than Maryland for shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law. Any You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.”~~

~~5. Section 19.E of the Franchise Agreement is revised 3. Section 14-226 of the Maryland Franchise Registration and Disclosure Law, prohibits us from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any provisions which requires a prospective franchisee to removedisclaim the following language:~~

~~“You agree that no claims, representations, occurrence and/or warranties non-occurrence of earnings, sales, profits, or success of your Nail Studio have been made to you other than as set forth in Item 19 acts that would constitute a violation of the FDD.”~~

~~6. Section 21 of the Maryland Franchise Agreement is deleted in its entirety.~~

~~7. The representations made in the Franchise Agreement Registration and Disclosure Law, in order to purchase a franchise are not intended to, nor should shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.~~

~~Each provision to this Addendum 4. Notwithstanding anything to the contrary set forth in the Agreement, any general release the Franchisee is required to the assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability we may have incurred under the Maryland Franchise Registration and Disclosure Law.~~

~~5. The Franchise Agreement is amended by the addition of the following language to the original language that appears in the choice of law language therein:~~

~~“This section shall not in any way abrogate or reduce any of your rights as provided for in Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, including the right to submit matters to the jurisdiction of the Courts of Maryland.”~~

~~6. Notwithstanding anything to the contrary set forth in the Agreement, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant~~

of the franchise.

7. 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.

8. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall prevail.

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

10. 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.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRANCHISOR

FRANCHISEE

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

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

MINNESOTA AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “Franchise Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. _____ in the Franchise Agreement, nothing will prevent the Franchisee Section 80C.12, Subd. 1(g), (the “Act”), which requires us to protect your right to use the trademarks, service marks and trade names and indemnify you from filing suit in Maryland for claims any loss, costs or expenses arising out of any claim, suit or demand regarding the use of same.

2. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor 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 ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of the Agreement.

3. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Section 604.113 which limits charges for nonpayment due to insufficient funds to \$30.

~~40.~~ 4. Notwithstanding anything to the contrary set forth in the Agreement, any general release you are required to assent to shall not apply to any liability we may have under the Maryland Franchise Registration and Disclosure Law. Act.

5. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibits the Franchisor from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

6. Minn. Stat. Section 80C.17. Notwithstanding anything to the contrary in the Franchise Agreement, to the extent that a claim is subject to Minnesota Statutes, Section 80C.15 Subd. 5, the statute shall control.

7. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

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

~~14.~~ 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.

~~12. 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.~~

~~13. The Franchise Agreement is amended to provide that: This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.~~

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

~~**FRANCHISOR:** FRENCHIES, LLC **FRANCHISEE:**~~

~~_____

_____~~

~~**SIGNED:** **SIGNED:**~~

~~_____
_____~~

~~**BY:** **BY:**~~

~~_____
_____~~

~~**ITS:** **ITS:**~~

~~_____
_____~~

~~**DATE:** **DATE:**~~

~~_____
_____~~

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

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

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

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

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

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

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

~~4. Section 4.A of the Franchise Agreement is amended by adding the following:~~

~~The State of Minnesota has required a financial assurance. Therefore, Franchisor has agreed to defer all initial fees owed by Franchisee to Franchisor until Franchisor has fulfilled all preopening obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement. The State of Minnesota imposed this deferral requirement due to Franchisor's financial condition.~~

~~5. Minn.Stat. § 80C.21 and Minnesota Rule 2860.4400(j) prohibit FRENCHIES, LLC d/b/a FRENCHIES from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.~~

~~6. Franchisor will not require Franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minn.Stat. §§ 80C.01 to 80C.22, provided that the~~

~~foregoing will not bar the voluntary settlement of disputes. To the extent you are required to execute a general release in favor of FRENCHIES, LLC d/b/a FRENCHIES, the release will exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. § 80C.01 et seq. as provided by Minn. Rule 2860.4400J.~~

~~7. Any claims brought under the Minnesota Franchises Act, § 80C.01 et seq. must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act will control.~~

~~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.~~

[The Signature Page Follows]

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

FRANCHISOR: _____ **FRANCHISEE**
FRENCHIES, LLC — **FRANCHISEE:** _____

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

ADDENDUM

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

NEW YORK AMENDMENT TO FRENCHIES, LLC d/b/a FRENCHIES FRANCHISE AGREEMENT

REQUIRED FOR THE STATE OF NEW YORK

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

This New York Addendum is only applicable if you are a resident THIS AMENDMENT TO FRANCHISE AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between Frenchies, LLC (“**Franchisor**”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

Releases. The following language is added to the end of New York or if your business will be located in New York:

1. ~~Section 8.12.2~~ of the Franchise Agreement is revised to include the following:

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

1. ~~Section 15~~ entitled Successor Terms and Sections 12.3 and 12.4 of the Franchise Agreement is modified by the addition entitled Transfer of the following at the end of Interest:

2. “If Franchisee is required to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the New York General Business Law, regulation, rule or order under the Law, such section: release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.”

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

3.2. ~~Sections 18.E, 18.F, 18.G and 18.H~~ Termination. The following language is added to the end of Section 13 of the Franchise Agreement are revised to include the following language: entitled Default and Termination:

~~“Provided, however, that all rights arising under Franchisee’s favor from You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the GBL General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied.”~~”

3. ~~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.~~
Assignment. The following language is added to the end of Section 12.1 of the Franchise Agreement entitled Transfer of Interest:

“However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor’s obligations under the Franchise Agreement.”

4. ~~_____~~ Governing Law.

4. The following language is added to the end of Section 19.1 of the Franchise Agreement entitled Choice of Law:

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

5. Conflicting Terms. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

6. Miscellaneous. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

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

FRANCHISOR: _____ **FRANCHISEE**
FRENCHIES, LLC ~~_____~~ **FRANCHISEE:** _____

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE:

DATE:

~~ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT~~

ADDENDUM

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

**NORTH DAKOTA AMENDMENT TO FRENCHIES, LLC d/b/a FRENCHIES
FRANCHISE AGREEMENT**

REQUIRED FOR THE STATE OF NORTH DAKOTA

Notwithstanding anything to the contrary set forth in For franchises and franchisees subject to the North Dakota Franchise Investment Law, the following information replaces or supplements the corresponding disclosures in the main body of the text of the Frenchies, LLC Franchise Disclosure Document, the following and corresponding provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the state of North Dakota of the Franchise Agreement:

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

The Franchise Agreement is amended such that the applicable Item 17.

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

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

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

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

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

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

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

4. The Franchise Agreement requires franchisees to consent to a limitation of claims

within one year. That requirement will not apply to North Dakota franchisees and, instead, the statute of limitations under North Dakota law will apply.

~~2. Section 2.B(viii) of the Franchise Agreement is deleted in its entirety.~~

~~3. Section 15.G of the Franchise Agreement is modified to delete any requirement that franchisee consent to termination penalties or liquidated damages.~~

~~4. Section 16.B of the Franchise Agreement is amended by adding the following language at the end:~~

~~“Covenants not to compete, such as those mentioned in this Section 16.B are generally considered unenforceable in the state of North Dakota.”~~

~~5. Section 17 of the Franchise Agreement is hereby amended such that the site of arbitration or mediation must be agreeable to all parties and may not be remote from the franchisee’s place of business.~~

~~6. Section 17.A of the Franchise Agreement is amended to provide that~~For North Dakota franchisees, the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys’ fees.

~~7. Section 17.D of the Franchise Agreement is deleted in its entirety.~~

~~8. Section 17.E of the Franchise Agreement is deleted in its entirety.~~

~~9. Section 17.F of the Franchise Agreement is deleted in its entirety.~~

~~10. Section 19.D of the Franchise Agreement is amended to provide that the Franchise Agreement will be governed by the laws of the State of North Dakota.~~

~~11.~~ Based upon the franchisor's financial condition, the North Dakota Securities Department 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.

~~12.~~ 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.

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

~~FRANCHISOR: FRENCHIES, LLC FRANCHISEE:~~

~~_____~~

~~SIGNED: SIGNED:~~

~~_____~~

~~BY: BY:~~

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES

FRANCHISE AGREEMENT

REQUIRED FOR THE STATE OF RHODE ISLAND

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

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

“§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.” The

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

2. 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.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

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

FRANCHISOR: _____ **FRANCHISEE**
FRENCHIES, LLC — **FRANCHISEE:** _____

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ ITS:

DATE: _____ DATE:

ADDENDUM TO FRENCHIES, LLC d/b/a FRENCHIES

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

VIRGINIA AMENDMENT TO FRANCHISE AGREEMENT

~~REQUIRED FOR THE STATE OF THIS AMENDMENT TO FRANCHISE AGREEMENT~~
 (“**Amendment**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between Frenchies, LLC (“**Franchisor**”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, (the “Act”), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Act or the laws of Virginia, that provision may not be enforceable.
2. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.
3. 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.
4. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.
5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRENCHIES, LLC

FRANCHISEE

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS

~~Notwithstanding~~ THIS AMENDMENT TO FRANCHISE AGREEMENT (“Addendum”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “Franchise Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

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 set forth in the Frenchies, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the state of ~~contained~~ therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington:

~~This Washington Addendum is only applicable if you are;~~ (b) the purchaser of the franchise is a resident of Washington ~~or if you;~~ and/or (c) the franchised business ~~with~~ that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~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 that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. ~~There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~ **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~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights to waive compliance with any provision~~ under the Washington Franchise Investment Protection Act or any ~~rules~~ or ~~orders~~ thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. ~~Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~ in accordance with RCW 19.100.220(2).

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

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~~provision contained in the franchise agreement or elsewhere that ~~conflict~~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.

~~Section 11.A of the Franchise Agreement is revised to state that franchisees have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely **Questionnaires and** directly by the indemnified party's negligence, willful misconduct, strict liability, or fraud.~~

~~Section 15.G is hereby amended to remove the following language: "The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages, and not a penalty."~~

~~Sections 16.C, 19.E and 21 will not apply in Washington.~~

~~Recital D of the Franchise Agreement will not apply in Washington.~~

~~Based upon the franchisor's financial condition, the State of Washington 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 and the franchise has opened for business.~~

~~The franchisor will defer collection of the initial franchise fee until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.~~

16. 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. ~~This provision supersedes any other term of any document executed in connection with the franchise.~~

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

~~FRANCHISOR: FRENCHIES, LLC FRANCHISEE:~~

~~_____

_____~~

~~SIGNED: SIGNED:~~

~~_____
_____~~

~~BY: BY:~~

~~_____
_____~~

~~ITS: ITS:~~

~~_____
_____~~

~~DATE: DATE:~~

~~_____
_____~~

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES~~

~~FRANCHISE AGREEMENT~~

~~REQUIRED FOR THE STATE OF WISCONSIN~~

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

~~1. Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.~~

~~2. 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.~~

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

forth above.

FRANCHISOR: ~~FRENCHIES, LLC~~ **FRANCHISEE:**

SIGNED: _____ **SIGNED:**

BY: _____ **BY:**

ITS: _____ **ITS:**

DATE: _____ **DATE:**

~~EXHIBIT E~~
~~FRENCHIES, LLC~~
~~FRANCHISE AGREEMENT~~
~~ELECTRONIC FUNDS~~
~~WITHDRAWAL AUTHORIZATION~~

ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

BANK NAME: _____

ABA ROUTING NUMBER: _____

ACCOUNT NUMBER: _____

ACCOUNT NAME: _____

Effective as of the date of the signature below, _____ hereby authorizes FRENCHIES, LLC d/b/a FRENCHIES (the “**Company**”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at _____

_____ : 1.) all Weekly Royalty Fees, 2.) all General Advertising and Marketing Fund Contributions, 3.) all Technology Fees, and 4.) all other fees due under the Franchise Agreement executed by Franchisee and Company. These withdrawals will occur on a weekly basis, or on another schedule as Company specifies in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Company. Franchisee will provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

_____ **FRANCHISEE:** _____

SIGNED:

_____ **BY:** _____

ITS:

_____ **DATE:** _____

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.

19. **In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because Franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until Franchisor has met all its pre-opening obligations under the agreement and Franchisee is open for business with respect to each such location.**

20. **Section 12.1 of the Franchise Agreement does not waive the rights of franchisees arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder.**

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRENCHIES, LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

~~**ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES
FRANCHISE DISCLOSURE DOCUMENT REQUIRED
BY THE WISCONSIN FAIR DEALERSHIP LAW**~~

Notwithstanding anything to the contrary in the Frenchies, LLC d/b/a Frenchies Franchise Disclosure Document, Franchise Agreement, or Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the State of Wisconsin:

~~“The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, non-renewal or substantial change in competitive circumstances of a dealership agreement without good cause. The law further provides that 90 days prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. The Disclosure Document, Franchise Agreement and Development Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provision of the Franchise Agreement or Development Agreement that are inconsistent with the law Wis.Stat.Ch.135, the Wisconsin Fair Dealership Law, § 32.06(3), Wis.Code.”~~

~~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.~~

~~Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Wisconsin Franchise Law or the Rules and Regulations are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.~~

ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES

EXHIBIT H

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE — PROSPECTIVE FRANCHISEES

Do not complete and/or sign this Questionnaire if you are a California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin resident or the business is to be operated in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin (each, an “Excluded Prospect”).

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

QUESTION	YES	NO
1. Have you received and personally reviewed the Franchise Disclosure Document provided to you?		
2. Did you sign a receipt (Item 23) for the Franchise Disclosure Document indicating the date you received it?		
3. Do you understand all of the information contained in the Franchise Disclosure Document?		
4. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5. Do you understand the terms of and your obligations under the Franchise Agreement?		
6. Are you legally eligible to work or own a business in the United States and/or Canada, including the state or province in which the Franchise will be located?		
7. Has any employee or other person speaking on behalf of the Franchisor made any statement or representation about the actual, average, or projected revenues or profits that you, Franchisor, or any of our franchisees have achieved in operating the Franchise, other than what is contained in the Franchise Disclosure Document?		
8. Has any employee or other person speaking on behalf of the Franchisor made any promise or agreement, other than the agreements contained in your Franchise Agreement, about advertising, marketing, media support, market penetration, training, support service or assistance, or any other material subject relating to the Franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?		
9. Has any employee or other person speaking on behalf of the Franchisor made any other oral, written, visual, or other promises, agreements, commitments, understandings, rights of first refusal, or otherwise to you about any matter, except as expressly set forth in the Franchise Agreement or in an attached written Amendment signed by you and us?		

QUESTION	YES	NO
<p>10. Are you legally eligible to travel to and attend New Franchisee Training at one of our designated training centers in the United States? If you answer “no,” please provide an explanation here:</p> <p>_____</p> <p>_____</p> <p>_____</p>		
<p>11. Are you currently involved in any other businesses/franchises that may interfere with the non-compete commitments in the FRENCHIES Franchise Agreement, or any other agreements you may have with other businesses/franchises? If yes, please describe the businesses/franchises here:</p> <p>_____</p> <p>_____</p> <p>_____</p>		
<p>12. Are there any contingencies, prerequisites, or other reservations existing (excluding obtaining financing for equipment or build-out of your Nail Studio) that will affect your ability to sign or perform your obligations under the Franchise Agreement?</p>		
<p>13. Have there been any changes in any of the information you have provided to us or our affiliates in connection with any application for the Franchise, or in any application, statement, or report you have provided to us? If yes, please describe the changes here:</p> <p>_____</p> <p>_____</p> <p>_____</p>		
<p>14. Have you been proven to have engaged in fraudulent conduct, or been convicted of, or plead guilty or no contest to, a felony or misdemeanor involving dishonesty or fraudulent conduct, or do you have any such charges pending? If yes, please describe all relevant facts on a separate sheet of paper and attach it to this Agreement:</p>		
<p>15. Have you, in the past 10 years, declared bankruptcy, or taken any action, or had any action taken against you, under any insolvency, bankruptcy, or reorganization act? If yes, please describe all relevant facts below:</p> <p>_____</p> <p>_____</p> <p>_____</p>		
<p>16. Have you brought, been named in, or been directly involved in any past or pending litigation or formal dispute resolution process? If yes, please describe all relevant facts below:</p> <p>_____</p> <p>_____</p> <p>_____</p>		
<p>17. Is there any information that might appear on a credit or criminal history report that you wish to disclose and/or address, knowing that failure to disclose such information may be considered grounds for denial of a franchise? If yes, please describe all relevant facts below:</p> <p>_____</p> <p>_____</p> <p>_____</p>		

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

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

~~**All prospective franchisees that are not Excluded Prospects applying please sign and date here:**~~

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

APPLICANT SIGNATURE & DATE

EXHIBIT 1-C

DEVELOPMENT AGREEMENT

FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

FINANCING DOCUMENTS



AREA DEVELOPMENT AGREEMENT

FRENCHIES, LLC

a Colorado limited liability company
550 Reserve Street, Suite 380
Southlake, Texas 76092
Telephone: 720.526.2935
franchise@frenchiesnails.com
www.frenchiesnails.com

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ATTACHMENTS:

EXHIBIT A: GUARANTY

EXHIBIT B: STATE-SPECIFIC ADDENDA

FRENCHIES®
AREA DEVELOPMENT AGREEMENT

~~This **AREA DEVELOPMENT AGREEMENT** is Development Agreement (“**Agreement**”) made effective as of the _____ (“**Effective Date** set forth in the Rider attached to this Agreement (the “**Rider**”)”) by and between **FRENCHIES** Frenchies, LLC, a Colorado limited liability company (“**we**” or “**us**”), and the person with a business address at 550 Reserve Street, Suite 380, Southlake, Texas 76092 (the “**Franchisor**”); and _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “**Developer**”).~~

BACKGROUND

A. Franchisor has the right to use and to sublicense the use of a boutique studio (“**Studio**”) featuring hand and foot care services, as well as related services and products that Franchisor authorizes under the trade name and trademark FRENCHIES® (the “**System**”).

B. The distinguishing characteristics of the System include, without limitation, the combination of services provided, including hand, foot and nail care services; private label hand and footcare products which incorporate Franchisor’s trade secrets and proprietary information (the “**Proprietary Products**”); distinctive exterior and interior design, decor, color scheme, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; procedures for inventory and management control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time. Developer hereby acknowledges and agrees that: (i) the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information that makes the System unique as a whole (the “**Confidential Information**”); and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals are proprietary and confidential.

C. The System and Studios are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “**FRENCHIES**” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the “**Proprietary Marks**”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor grants qualified third parties the right to develop a certain number of Studios within corresponding defined site selection areas (each, a “**Site Selection Area**”) in accordance with the terms of this Agreement to which Developer must be strictly adhere, with each Studio within the Site Selection Areas being opened and operating utilizing the Proprietary Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor’s then-current form of franchise agreement (each, a “**Franchise Agreement**”).

E. Developer recognizes the benefits from receiving the right to operate a Studio utilizing the System and desires to: (i) become a multi-unit operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate a certain number of Studios within the Site Selection Areas as set forth in this Agreement (each, a “Studio”), and Franchisor has approved such application in reliance on Developer’s representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor’s operations manual and other System standards and specifications, are essential to the operation of all Studios and the System as a whole.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Site Selection Areas; Development Schedule and Obligations. Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish Studios within the Site Selection Areas defined in the Data Sheet attached hereto as Attachment A (the “Data Sheet”), provided Developer opens and begins operations of such Studios in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the “Development Schedule”) and otherwise subject to the terms and conditions set forth herein. The Site Selection area may consist of zip codes or persons named in the Rider as the Developer (“you”)—a geographic area, identified to represent the search area in which the studios must be located. Once a site location is approved within a Site Selection Area, the franchisor will apply a radius, not to exceed 3 miles, which will then reflect the final protected development area in which no other studios can be built, removing the relevance of the initial Site Selection Area. The parties agree and acknowledge that, for so long as Developer remains in compliance with the terms of this Agreement, Franchisor shall not grant any third party the right to open and operate a Studio within the Site Selection Areas, provided that such exclusivity in each Site Selection Area will automatically expire without any further notice or action by the Franchisor if Developer fails to timely open and commence operations of any Studio in accordance with the Development Schedule. Developer agrees and acknowledges that time is of the essence with respect to its obligations under this Section 1 and this Agreement generally. The parties agree and acknowledge that, should Developer request any change to any of its Site Selection Area(s) and Franchisor agrees to such change, Developer will incur the then-current fee associated with such change.

RECITALS:

A. We have invested substantial time, effort, and money to develop a system for operating boutique studios that offer hand and foot care services to men and women, and other related products and services, under the trademark “FRENCHIES®” and other trademarks, service marks, and intellectual property rights. We grant franchises to qualified candidates for the operation of a hand and foot care business. We license our trademark rights in “FRENCHIES®” and “FRENCHIES NAIL SALONS®” and may in the future adopt, use, and license additional or substitute trademarks, service marks, logos, and commercial symbols in connection with the operation of FRENCHIES studios (collectively the “Marks”). FRENCHIES studios use our methods, procedures, standards, specifications, and Marks (all of which are collectively referred to as the “System”), which we may improve, further develop, or otherwise modify from time to time.

B. You acknowledge that you have had an adequate opportunity to be thoroughly advised of the provisions of this Agreement, the form of franchise agreement we currently use to grant rights to operate nail studios, and our Franchise Disclosure Document, and have had sufficient time and opportunity to evaluate and investigate the System and the procedures and financial requirements associated with the System, as well as the competitive market in which it operates.

~~C. You are entering into this Agreement because you want to develop and operate multiple nail studios that use the Marks and the System. You recognize that while you will have certain limited rights to transfer your interest in this Agreement, and in the studios you develop, we are entering into this Agreement with you based on your representation that you intend to personally develop all of the studios described in this Agreement, and not with a view to reselling your right to open these studios.~~

AGREEMENTS:

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

~~1. GRANT OF DEVELOPMENT RIGHTS.~~

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

- ~~A. We grant to you, under the terms and conditions of this Agreement, the right to develop and operate the number of Nail Studios identified in the Rider (the “**Nail Studios**”), using the Marks and operating within the territory described in the Rider (the “**Development Territory**”).~~
- ~~B. You agree to be bound by the “**Development Schedule**” set forth in the Rider. Time is of the essence for the development of each Nail Studio in accordance with the Development Schedule. Each Nail Studio must be developed and operated by you under a separate Franchise Agreement that you enter into with us.~~
- ~~C. Unless otherwise indicated in the Rider and except as set forth in **Section D** below or otherwise in this Agreement, if you are in compliance with this Agreement and any and all Franchise Agreement(s) you have with us, we will not develop or operate or grant anyone else a franchise to develop and operate a Nail Studio from any location in the Development Territory before the earlier of: (i) the expiration or termination of this Agreement; (ii) the date on which you must sign the Franchise Agreement for your last Nail Studio under the terms of the Development Schedule. Notwithstanding anything in this Agreement, when the earliest of the above events occurs: (i) the Development Territory will expire; and (ii) we will be entitled to develop and operate or to franchise others to develop and operate nail care businesses or studios from locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been signed between us and you and that has not been terminated. If at any time you fail to comply with the Development Schedule, we may in lieu of terminating this Agreement, choose, in our sole discretion, to replace any portion of the Development Territory that is not then part of a Protected Territory under a fully executed Franchise Agreement with territory that will be identified at the time you demonstrate an intent and ability to execute the next Franchise Agreement called for under the Development Schedule.~~
- ~~D. You acknowledge and agree that we retain the following rights, among others, on any terms and conditions we deem advisable, and without granting you any rights therein:
 - ~~1. To own, acquire, establish, and/or operate and license others to establish and operate, Nail Studios under the System at any location outside the Development Territory, notwithstanding their proximity to the Development Territory or any Nail Studio or their actual or threatened impact on sales of any Nail Studio;~~
 - ~~2. To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Marks, whether such businesses are similar to or different from the Nail Studio, at any location within or outside the Development Territory;~~~~

~~notwithstanding their proximity to the Development Territory or any Nail Studio or their actual or threatened impact on sales of any Nail Studio;~~

- ~~3. To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products through mail order, toll free numbers, the Internet, other Electronic Media, mobile and temporary locations, and other alternative distribution channels, including products bearing our Marks; and~~
- ~~4. To (i) acquire one or more retail businesses that are the same as, or similar to, Nail Studios then operating under the System (each an “**Acquired Business**”), which is part of a system of retail businesses that we or our affiliates acquire (an “**Acquired System**”). An Acquired Business may be at any location within or outside the Development Territory, notwithstanding its proximity to the Protected Territory or any Nail Studio or their actual or threatened impact on sales of any Nail Studio. We may operate and/or license others to operate any Acquired Business under its existing name or as a studio under the Marks and System at any location. You will have no right to purchase, and we will not be obligated to offer you any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. We may license such unit to be operated under any trade name or trademarks, including the Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Development Territory.~~

2. DEVELOPMENT FEE.

~~You must pay us a _____ Development Fee in the amount set forth in the Rider. This Developer shall pay Franchisor a development fee is payable in full when you sign this Agreement. However, you will not be required equal to pay an Initial Franchise \$_____ (the “**Development Fee**”) for any of the right to develop the Nailforegoing Studios you develop within the Site Selection Areas under this Agreement.~~

~~A. You will sign the Franchise Agreement for your first Nail Studio concurrently with this Agreement. A separate Franchise Agreement must be signed for each Nail Studio as it is identified, which must be consistent with the Development Schedule. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of the Nail Studio.~~

~~B. The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon execution of this Agreement, payment and is non-not refundable. If you fail or choose not to develop any Nail Studio that is permitted under this Agreement, you will not be entitled to any return or refund of the Development Fee or any portion thereof. under any circumstances; and payable to Franchisor immediately on Developer’s execution of this Agreement.~~

~~2.1 The parties agree and acknowledge that the Development Fee is comprised of the franchise fee payable in connection with: (i) the initial Studio that Developer is granted the right to open within a given Site Selection Area under this Agreement (the “**Initial Studio**”); and (ii) each additional Studio that Franchisor has granted Developer the right to open hereunder (each, an “**Additional Studio**”).~~

~~3. Initial Franchise Agreement. Contemporaneously with the execution of this Agreement, Developer must enter into Franchisor’s current form of Franchise Agreement for the Initial Studio that Developer is required to open within a given Site Selection Area. In the event Developer is a business entity of any kind, then Developer’s principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.~~

~~4. Additional Franchise Agreements. Developer agrees and acknowledges that it must: (i)~~

enter into Franchisor's then-current form of Franchise Agreement for each Additional Studio that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed upon Development Schedule.

5. Development Obligations. Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Studios during each of the development periods defined in the Development Schedule (each, a "Development Period"); and (ii) has the minimum cumulative number of Studios open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement if not timely cured as set forth in Section 6.2 of this Agreement (and any future development rights granted hereunder).

6. Term and Termination.

6.1 This Agreement will begin on the Effective Date and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the last day of the calendar month that the final Studio is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the last Studio that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any territorial rights other than those that might be granted in connection with a "Designated Territory" associated with a Studio that Developer has opened and begun operating as of the date this Agreement is terminated or expires (if and as such rights are granted by Franchisor under the respective Franchise Agreement(s) that Developer entered into for such Studios).

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Site Selection Areas or otherwise abandons its development business for three consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Studios within the Site Selection Areas; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. Reservation of Rights. Except as provided in Article 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

8. Sale or Assignment. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a general partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. Acknowledgment. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Proprietary Marks or System.

10. Notices. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to this state's conflict of laws principles.

12. Internal Dispute Resolution. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's CEO or President, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. Mediation. At Franchisor's option, all claims or disputes between Developer, Developer's owner, and Franchisor or its affiliates arising out of or in any way relating to this Agreement or any other agreement between Developer, Developer's owner, and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth in Section 12 above, must be submitted first to mediation under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Mediation shall be held at the offices of the AAA in the city where Franchisor maintains its principal business offices. Each party will bear its own costs of mediation, and the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally. The mediation shall be conducted by a mediator agreed upon by Franchisor and Developer. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

13.1. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Developer whether Franchisor or its affiliates elect to exercise our option to submit claims or disputes to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of Franchisor's written declaration. Franchisor's right to mediate, as set forth herein, may be specifically enforced by Franchisor. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

13.2 Notwithstanding the foregoing provisions of this Section 13., the parties' agreement to mediate shall not apply to any controversy, dispute or claim related to or based on (a) any federally protected intellectual property rights in the Proprietary Marks, the System, any Confidential Information, (b) amounts owed to Franchisor pursuant to this Agreement or (c) for temporary or preliminary injunctive or other extraordinary relief sought ("Excepted Claims"). Any Excepted Claims may be brought in any court of competent jurisdiction.

14. Arbitration. Except for any Excepted Claims which either party has the right to bring in any court of competent jurisdiction, you and we agree to submit any claim, controversy or dispute (collectively, "Dispute") between us or any of our affiliates (and/or their respective shareholders, officers,

directors, agents, representatives and/or employees) and you (and/or your owners, guarantors, agents, representatives and/or employees, as applicable) arising out of or related to (a) this Agreement or any other agreement between us and you, (b) our relationship with you, (c) the validity of this Agreement or any other agreement between us and you, or (d) any System standard, to arbitration.

The parties agree that notwithstanding anything to the contrary in this Agreement, Disputes shall be submitted to binding arbitration in accordance with this Section 19.3. The arbitration shall be conducted through the American Arbitration Association (“AAA”) and in accordance with the AAA’s Commercial Arbitration Rules (“Rules”). The arbitration shall be conducted by one (1) arbitrator selected by agreement of the parties or (in the event the parties cannot agree) in accord with the Rules. The arbitrator shall apply the Federal Rules of Evidence during the conduct of the sessions with respect to the admissibility of evidence. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. § 1-16. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof and will be final, binding and non-appealable, except as set forth below. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The place of arbitration shall be in the county in which Franchisor maintains its principal business offices at the time of arbitration, currently set in Tarrant County, Texas, unless otherwise mutually agreed between the parties. Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished its right to seek the recovery of those costs in accordance with Article 20. The arbitrator, in the conduct of the arbitration, shall not have the authority to declare any Proprietary Mark generic or otherwise invalid. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The parties agree that all Disputes submitted to arbitration shall be conducted on an individual, and not a class wide, basis, and that only Franchisor (and its affiliates and its and their respective owners, officers, directors, agents and employees, as applicable) and Developer (and its affiliates and its and their respective owners, guarantors, officers and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Franchisor and/or any other natural person, association, corporation, partnership, limited liability company or other entity.

If any party to an arbitration wishes to appeal any final award by the arbitrator, such party may appeal, within thirty (30) days of such final award, to a different arbitrator appointed in the same manner as set forth above. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial de novo or other fact-finding function. The party requesting such appeal must have paid for a court reporter to make a written record of the arbitration hearing and must pay all costs charged by such appeal panel, as well as posting any bond deemed appropriate by the appeal panel. Any party that does not pay for or share in the payment for a transcript of the arbitration hearing cannot challenge any ruling by the arbitrator on appeal, even if the opposing party does appeal.

15. Jurisdiction and Venue. Subject to Sections 13 and 14 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state or federal court closest to where Franchisor maintains its principal business offices at the time of filing, currently Tarrant County, Texas (unless settled by the parties after such action is initiated). Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 14 above. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

16. Third Party Beneficiaries. Franchisor’s officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

17. JURY TRIAL WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

18. WAIVER OF CLASS ACTIONS. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19. Waiver of Punitive Damages. Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20. Attorneys' Fees. If Developer is in breach of any monetary or non-monetary material obligation under this Agreement or any related agreement between Developer and Franchisor and/or its affiliates, and Franchisor engage an attorney to enforce its rights (whether or not formal judicial proceedings are initiated), Developer must pay all of Franchisor's reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

21. Nonwaiver. Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22. Severability. The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, that renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23. Construction of Language. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control

interpretation.

24. Persons Bound. This Agreement shall be binding on the parties and their respective successors and assigns. Each direct and indirect individual and entity owner of Developer (“Owner”) shall execute the Personal Guaranty and Undertaking attached as Attachment B. Failure or refusal to do so shall constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person’s obligations hereunder and under the Personal Guaranty and Undertaking.

24. Successors. References to “Franchisor” or “Developer” include the respective parties’ successors, assigns or transferees, subject to the limitations of Article 8 of this Agreement.

25. Additional Documentation. Developer must from time to time, subsequent to the date first set forth above, at Franchisor’s request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer’s attorney-in-fact to execute any and all documents on Developer’s behalf, as reasonably necessary to effectuate the transactions contemplated herein.

26. No Right to Offset. Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

27. Entire Agreement. This Agreement contains the entire agreement between the parties concerning Developer’s development rights within the Site Selection Areas; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor’s policies, procedures, standards, specifications or manuals at Franchisor’s discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISOR³-DEVELOPMENT SCHEDULE.

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

- ~~A. You must comply with the Development Schedule requirements regarding: (i) the execution of the Franchise Agreements; (ii) the opening date for each Nail Studio; and (iii) the cumulative number of Nail Studios to be open and continuously operating for business in the Development Territory. If you fail to either sign a Franchise Agreement or to open a Nail Studio according to the dates set forth in the Franchise Agreement, we, in our sole discretion, may immediately terminate this Agreement under **Section 5**, or alter your Development Territory as described in Section 1.C.~~
- ~~B. You may not open a Nail Studio under this Agreement unless you have notified us of your intention to develop the Nail Studio at least thirty (30) days prior to the date in the Development Schedule and met each of the following conditions (these conditions apply to each Nail Studio to be developed in the Development Territory):~~

- ~~1. **Good Standing.** You must not be in default of this Agreement, any Franchise Agreement entered into under this Agreement, or any other agreement between you or any of your affiliates and us or any of our affiliates. You also must have satisfied on a timely basis all monetary and material obligations under the Franchise Agreements for all existing Nail Studios.~~
- ~~2. **Execution of Franchise Agreement.** You and we have entered into our then-current form of Franchise Agreement for the proposed Nail Studio. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations; *provided, however,* that you will not be required to pay any initial franchise fee under any of those agreements. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of the Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Nail Studio must be in accordance with the terms of the applicable Franchise Agreement.~~
- ~~3. **Identifying and Securing Sites.** You will be solely responsible for identifying, submitting for our approval, and securing specific sites for each Nail Studio. The following terms and conditions shall apply to each Nail Studio to be developed hereunder: We will provide you our then-current site selection guidelines and such site selection counseling and assistance as we may deem advisable. You will submit to us, in a form specified by us, a completed site approval package, which shall contain such information or materials as Franchisor may reasonably require. We will have thirty (30) business days after receipt of the site approval package to approve or disapprove, in our sole discretion, the proposed site for the Nail Studio. In the event we do not approve a proposed site by written notice to you within said twenty (20) business days, such site shall be deemed disapproved by us. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.~~
- ~~4. You hereby acknowledge and agree that approval by us of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Nail Studio or for any other purpose. Approval by us of the site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for its purposes as of the time of the evaluation. Both we and you acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by us of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by us could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of a site approved by us to meet your expectations as to revenue or operational criteria.~~

~~4. TERM.~~

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

~~5. DEFAULT AND TERMINATION.~~

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

will be any person or entity that controls that person, is under the control of that person, or is under common control with that person.

- ~~A. All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, commit any affirmative action of insolvency, or file any action or petition of insolvency; (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority; (iii) you make a general assignment or other similar arrangement for the benefit of your creditors; (iv) a final judgment against you remains unsatisfied of record for thirty (30) days or longer; (v) execution is levied against your business or property, or the business or property of any of your affiliates that have entered into Franchise Agreements with us; (vi) a suit to foreclose any lien or mortgage against premises or equipment is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; (vii) you fail to meet your development obligations set forth in the Development Schedule; (viii) you or any of your affiliates open any Nail Studios before that person or entity has signed a Franchise Agreement with us for that studio in the form we provide; (ix) you fail to comply with any other provision of this Agreement, or your or any of your affiliates fail to comply with any other agreement you or they have with us or our affiliates and do not correct the failure within thirty (30) days after written notice of that failure is delivered to the breaching party (except that if the failure to comply is the third (3rd) failure to comply with any provision of any agreement that you or any of your affiliates have with us or an affiliate of ours within twelve (12) consecutive months, then we need not provide any opportunity to cure the default); or (x) we have delivered to you or any of your affiliates a notice of termination of a Franchise Agreement in accordance with its terms and conditions.~~

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

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

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

~~7. TRANSFER.~~

~~The following provisions govern any transfer:~~

- ~~A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity.~~
- ~~B. We enter into this Agreement with specific reliance on your personal experience, skills, and managerial and financial qualifications. Consequently, this Agreement—and your rights and obligations under it—is and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent.~~

- ~~1. As used in this Agreement, the term “Transfer” means any sale, assignment, lease, gift, pledge, mortgage, or any other encumbrance, transfer by bankruptcy, transfer by your disability or death, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law, or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you. You acknowledge that these provisions prohibit you from subfranchising or sublicensing any right you have under any agreement with us, and that your intent in entering into this Agreement is that you (and not any licensee or transferee) will be opening and operating the Nail Studios to be developed under this Agreement. In addition, if there are two (2) individuals signing this Agreement as Franchisee, and one (1) of those individuals is no longer involved in the ownership of the business that is developing Nail Studios, the withdrawal of that person will be considered a Transfer. A Transfer will also be deemed to occur when there are more than two (2) people listed as the Developer and there is a change of the ownership of the business such that less than a majority of the original signatories continue to have a majority interest in the equity of the business.~~
- ~~2. We will not charge you any fee in connection with your Transfer of your interest in this Agreement. However, as a condition to our approval of any Transfer, you must sign Franchise Agreements for all of the Nail Studios to be developed under this Agreement, you must transfer all of those agreements to the same person or entity that acquires your interest in this Agreement, and you must comply with all of the conditions for transferring each of those agreements, including the requirement to pay a transfer fee in connection with the transfer of each of those agreements.~~
- ~~3. The restriction on Transfer contained in this Agreement does not apply to, or otherwise restrict, your right to transfer any interest in any Franchise Agreement you previously signed for any Nail Studio to be developed under this Agreement. You may transfer those agreements apart from any rights you have in this Agreement, provided you comply with the transfer provisions of each agreement you seek to transfer.~~

~~8. MISCELLANEOUS.~~

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

~~**No Waiver or Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois,~~

~~Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:~~

~~No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.~~

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

AREA DEVELOPMENT AGREEMENT RIDER

1. ~~Effective Date:~~ _____

2. ~~Developer:~~ _____

3. ~~Development Territory:~~

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

4. ~~Number of Nail Studios~~ to be opened in the Development Territory:

DEVELOPER

FRENCHIES, LLC

ENTITY

By: _____ By: _____
NAME, TITLE NAME, TITLE

Date: _____ Date: _____

ATTACHMENT A
TO DEVELOPMENT AGREEMENT

DATA SHEET

1. Site Selection Areas. The Site Selection Areas, as referred to in Article 1 of the Development Agreement, are described below (or an attached map) by geographic boundaries and will consist of the following area or areas listed below. Upon approval of a site/lease, the Site Selection Area will be replaced with a Protected Area in the Franchise Agreement, which shall be defined by a radius not to exceed 3 miles.

Site Selection Area #1: _____

Site Selection Area #2: _____

Site Selection Area #3: _____

2. Development Schedule. The Development Schedule referred to in Article 5 of the Development Agreement is as follows:

<u>NAIL STUDIO NUMBER</u> <u>Expiration of Development</u> <u>Period</u> <u>(each, a “Development Period”)</u>	<u>CHECK TO INDICATE: No. of</u> <u>New Studios Opened Within</u> <u>Development Period</u>	<u>Cumulative No. of Studios</u> <u>that Must Be Open and</u> <u>Operating</u>
12 Months from Effective Date	1	-1
2 Months 13 through 36 of the <u>Development Agreement</u>	-1	2
3 Months 37 through 48 of the <u>Development Agreement</u>	-1	3
	4	

5. ~~Development Fee:~~ You acknowledge and agree that a material provision of this Area Development Agreement is that the following fee indicated, which directly correlates with the number of Nail Studios you intend to open, is due and payable to Franchisor upon execution of this Agreement:

<u>NAIL STUDIO</u> <u>NUMBER</u>	<u>TOTAL PRICE</u>	<u>CHECK TO</u> <u>INDICATE:</u>
1	\$49,500	
2	\$89,000	
3	\$118,500	
4	\$148,000	

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

NAIL STUDIO NUMBER	DATE BY WHICH FRANCHISE AGREEMENT MUST BE SIGNED AND SITE APPROVAL REQUEST MUST BE SUBMITTED TO US	DATE BY WHICH THE NAIL STUDIO MUST BE OPENED AND OPERATED BY YOU IN THE TERRITORY*	CUMULATIVE NUMBER OF NAIL STUDIOS TO BE OPENED AND OPERATED BY YOU IN THE DEVELOPMENT TERRITORY AS OF THE DATE IN PRECEDING COLUMN
1	Date of this Agreement	12 months from the Date of this Agreement	1
2	18 months from the Date of this Agreement	30 months from the Date of this Agreement	2
3	30 months from the Date of this Agreement	42 months from the Date of this Agreement	3
4	42 months from the Date of this Agreement	54 months from the Date of this Agreement	4

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

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

[Signature page follows.]

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

~~FRANCHISOR:~~ _____ ~~DEVELOPER~~

~~FRENCHIES, LLC~~ _____ ~~DEVELOPER:~~ _____ ~~ENTITY~~

~~SIGNED:~~ _____ ~~SIGNED:~~ _____

~~BY:~~ _____ ~~BY:~~ _____

~~ITS:~~ _____ ~~ITS:~~ _____

~~DATE:~~ _____ ~~DATE:~~ _____

_____ ~~SIGNED:~~ _____

_____ ~~BY:~~ _____

_____ ~~ITS:~~ _____

_____ ~~DATE:~~ _____

_____ ~~SIGNED:~~ _____

BY:

ITS:

DATE:

EXHIBIT A

By: _____ By: _____
NAME, TITLE NAME, TITLE

Date: _____ Date: _____

ATTACHMENT B
TO DEVELOPMENT AGREEMENT

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND UNDERTAKING
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE AREA DEVELOPMENT AGREEMENT

THIS PERSONAL GUARANTY AND UNDERTAKING is given this date of _____, by each of the undersigned below (each a "Guarantor").

In consideration of, ~~and as an inducement to,~~ the execution of ~~the Area~~that certain Development Agreement of even date (the "**Development Agreement**") between ~~by~~ FRENCHIES, LLC ("~~we~~" or "~~us~~") and _____ (the "**Franchisor**"), and with _____ ("**Developer**"), dated _____, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, ~~do jointly, individually, and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms, and conditions in the for the term of the Development Agreement, to be paid, kept, and performed by the developer, including without limitation the dispute resolution provisions of the and as provided in the Development Agreement.~~

~~Further, the undersigned, individually and jointly, hereby agree to be personally bound by, that Developer shall punctually pay and perform each and every condition and term contained undertaking, agreement and covenant set forth in the Development Agreement; and agree that this Personal Guaranty will (b) agrees to be construed as though personally bound by, and personally liable for the undersigned and breach of, each of them executed an Area and every provision in the Development Agreement containing the identical terms and conditions of the, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, as though each were the Developer under the Development Agreement.~~

~~The undersigned waive: (1) Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) (4) any right he or she Guarantor may have to require that an action be brought against the developer Developer or any other person as a condition of liability; and (4) notice of (5) the defense of the statute of limitations in any changes permitted by the terms of the Agreement or agreed to by the developer. action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.~~

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

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

DEVELOPER: _____

PERSONAL GUARANTORS: _____

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

EXHIBIT B
STATE-SPECIFIC ADDENDA

ADDENDUM Each Guarantor hereby consents and agrees that: (1) such Guarantor's undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor's liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Development Agreement by a trustee of Developer; (6) neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty and Assumption of Obligations as of the date set forth above.

GUARANTOR(S):

Guarantor

Guarantor

Guarantor

CALIFORNIA AMENDMENT TO FRENCHIES, LLC
D/B/A
FRENCH
IES

AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF CALIFORNIA

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

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

The California Franchise Relations Act (~~THIS AMENDMENT TO DEVELOPMENT AGREEMENT~~ (“**Amendment**”) dated _____ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated _____ by and between Frenchies, LLC (“**Franchisor**”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“**you**” or “**Developer**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq., (collectively, the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

4. a. California Business and Professions Code ~~Section~~Sections 20000 through 20043), provides franchisees with additional provide rights to the franchisee concerning termination, renewal, or non-renewal of the Area Development Agreement and certain provisions of the Area Development Agreement relating to termination, renewal, or non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Area Development Agreement and your relationship with Franchisor, including the areas of termination, renewal, or renewal of Franchisee’s franchise. If the Area Development Agreement contains a provision that is inconsistent with the law, the law will control.

2. The Franchise Agreement or Area Development Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement or Area Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section b. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code ~~Section §§~~31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code ~~Sections 20000 – 20043~~). To the extent required by such laws, Franchisee shall not be required to execute a general release. ~~§§20000 through 20043~~.

3. c. The Franchise Agreement or Area Development Agreement requires application of the laws and forum of Colorado. provides for termination upon bankruptcy. This provision may not be enforceable under California law. federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

~~The Franchise Agreement or Area Development~~d. The Agreement contains a covenant not to compete that extends beyond the termination ~~or non-renewal~~ of the franchise. This provision may not be enforceable under California law.

~~4. e. The Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of California law. This requirement may be unenforceable under California law.~~

~~5. The provision in the Franchise Agreement or Area Development Agreement that terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.~~

~~The Franchise Agreement or Area Development Agreement contains a liquidated damages clause.f.~~
The Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

g. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.

2. To the extent that Section 19.1 of the Agreement (pertaining to choice of law) conflicts with California law, California law will control.

3. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

5. No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

6. Fee Deferral. The Department has determined that we, the Franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California Franchisees until we have completed all of our pre-opening obligations and you are open for business. For California Franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRENCHIES, LLC

DEVELOPER

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

HAWAII AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “Development Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

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 OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR 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.

6- Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

7- 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.

~~8. California has imposed a fee deferral condition because the California Department of Financial Protection and Innovation has determined that the franchisor has not demonstrated it are adequately capitalized and/or that it must rely on franchise fees to fund our operations. Accordingly, the franchisor will defer the collection of all initial fees from California franchisees until it has completed all of its pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.~~

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

~~FRANCHISOR: FRENCHIES, LLC DEVELOPER:~~

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

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

The State of Hawaii has required a financial assurance. Therefore, a deferral of the payment of the initial franchise fee and any other initial payments made by the franchisee to the franchisor will be required until all of the pre-opening obligations of the franchisor have been satisfied and the franchise has opened for business. If more than one location is contemplated through an area development agreement, then the total amount to be collected will be prorated and collected by the franchisor as each ~~store~~studio is opened under the development agreement.

~~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.~~

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

~~FRANCHISOR: _____ FRENCHIES, LLC _____ DEVELOPER: _____~~
FRANCHISEE

SIGNED: _____ SIGNED: _____

BY: _____ BY: _____

ITS: _____ ITS: _____

DATE: _____ DATE: _____

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES~~

~~AREA~~

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

ILLINOIS AMENDMENT TO DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF ILLINOIS

~~Notwithstanding anything to the contrary set forth in the Frenchies, LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the state of Illinois: THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“Amendment”) dated _____ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “Development Agreement”) dated _____ by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Developer”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.~~

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with ~~section 41~~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.~~

Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or ~~acknowledgment~~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.

~~any statement made by any franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

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

FRANCHISOR: _____ FRENCHIES, LLC- _____ DEVELOPER: _____

SIGNED: _____ SIGNED: _____

BY: _____ **BY:**

ITS: _____ **ITS:**

DATE: _____ **DATE:**

ADDENDUM TO

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

~~MARYLAND AMENDMENT TO FRENCHIES, LLC D/B/A~~
~~FRENCH~~
~~IES~~

~~AREA DEVELOPMENT AGREEMENT~~

~~REQUIRED FOR THE STATE OF MARYLAND~~

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

~~1. Recital B of the Area Development Agreement is deleted in its entirety.~~

~~2. Section 5 of the Area Development Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but Franchisor intends to enforce it to the extent enforceable.~~

~~3. Section 8 of the Area Development Agreement is revised to include the following language:~~

~~“Notwithstanding the standing provisions of this section, you may bring a lawsuit~~THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “Development Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and (“you” or “Developer”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

~~1. Any provision requiring you to sign a general release of any and all claims against us shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.~~

~~2. Any provision requiring you to bring an action against us in any state other than Maryland shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law. You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.”~~

~~4. The representations made in the Area Development Agreement~~3. Section 14-226 of the Maryland Franchise Registration and Disclosure Law, prohibits us from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any provisions which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law, in order to purchase a franchise are not intended to, nor shouldshall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

~~5. Section 7 of 4. Notwithstanding anything to the Area Development Agreement, any general release the Developer is revised to provide that, pursuant to COMAR 02.02.08.16L, the general release required as a condition to renewal, sale or consent to assignment/transfer, assent to is not intended to nor shall not apply to it act as a release, estoppel or waiver of any liability we may have incurred under the Maryland Franchise Registration and Disclosure Law.~~

~~Each provision to this Addendum~~5. The Development Agreement is amended by the addition of the following language to the Development original language that appears in the choice of law language therein:

“This section shall not in any way abrogate or reduce any of your rights as provided for in Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, including the right to submit matters to the jurisdiction of the Courts of Maryland.”

6. Notwithstanding anything to the contrary set forth in the Agreement, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

7. 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.

8. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall prevail.

~~6.~~ 9. Each provision of this Amendment shall be effective only to the extent ~~that~~, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this ~~Addendum.~~ Amendment.

~~7.~~ The Development Agreement states that Colorado law generally applies. However, the conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Maryland law, and we will comply with that law in Maryland.

~~8.~~ Notwithstanding anything to the contrary in the Development Agreement, nothing will prevent the Franchisee from filing suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

~~9.~~ The Area Development Agreement is amended to provide that: disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

10. 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.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRANCHISOR
FRENCHIES, LLC

DEVELOPER

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

|

MINNESOTA AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “Development Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Section 80C.12, Subd. 1(g), (the “Act”), which requires us to protect your right to use the trademarks, service marks and trade names and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of same.

2. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor 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 ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of the Agreement.

3. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Section 604.113 which limits charges for nonpayment due to insufficient funds to\$30.

4. Notwithstanding anything to the contrary set forth in the Agreement, any general release you are required to assent to shall not apply to any liability we may have under the Act.

5. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibits the Franchisor from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce any of Developer’s rights as provided for in Minnesota Statutes, Chapter 80C, or Developer’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

6. Minn. Stat. Section 80C.17. Notwithstanding anything to the contrary in the Franchise Agreement, to the extent that a claim is subject to Minnesota Statutes, Section 80C.15 Subd. 5, the statute shall control.

7. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

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

~~10. 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.~~

~~11. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

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

~~**FRANCHISOR:** FRENCHIES, LLC **DEVELOPER:**~~

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

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

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

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

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

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

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

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

4. ~~Section 2 of the Area Development Agreement is amended by adding the following:~~

~~The State of Minnesota has required a financial assurance. Therefore, we have agreed to defer all initial fees owed by you to us until we have fulfilled pre-opening obligations to you and you have commenced doing business pursuant to a Franchise Agreement. The State of Minnesota imposed this deferral requirement due to Franchisor's financial condition.~~

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

6. ~~Franchisor will not require Franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minn.Stat. §§ 80C.01 to 80C.22, provided that the foregoing will not bar the voluntary settlement of disputes. To the extent you are required to execute a general release in favor~~

~~of FRENCHIES, LLC d/b/a FRENCHIES, the release will exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. § 80C.01 et seq. as provided by Minn. Rule 2860.4400J.~~

~~7. Any claims brought under the Minnesota Franchises Act, § 80.C.01 et seq. must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement or Area Development Agreement imposes a different limitations period, the provision of the Act will control.~~

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 ~~undersigned parties~~ have executed this ~~Addendum as of~~ Amendment on the date first ~~set~~

~~forthshown~~ above.

FRANCHISOR: _____ **DEVELOPER**
FRENCHIES, LLC — **FRANCHISEE/DEVELOPER:** _____

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

ADDENDUM

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

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

Notwithstanding anything ~~THIS AMENDMENT TO DEVELOPMENT AGREEMENT~~ (“**Amendment**”) dated _____, is intended to ~~the contrary set forth in the Frenchies, LLC Area~~ be a part of, and by this reference is incorporated into that certain Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the state of New York:

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

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

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

2. ~~The Area”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and (“you” or “Developer”). Defined terms contained in the Development Agreement is modified by the addition of the following Section 5:~~

~~“In addition, Franchisee shall have the right~~ identical meanings in this Amendment.

1. Releases. ~~The following language is added to terminate the Area~~ end of the Development Agreement to the extent allowed under applicable law.”:

3. ~~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.~~

“If Franchisee is required to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law of the State of New York, regulation, rule or order under the Law, such release shall exclude claims arising under the General Business Law of the State of New York, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.”

2. Termination. ~~The following language is added to the end of Section 6 of the Development Agreement entitled Term and Termination:~~

“You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.”

3. Assignment. The following language is added to the end of Section 8 of the Development Agreement entitled Sale or Assignment:

“However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor’s obligations under the Franchise Agreement.”

4. Governing Law. The following language is added to the end of Section 11 of the Development Agreement entitled Choice of Law:

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

5. Conflicting Terms. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

6. Miscellaneous. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the ~~undersigned parties~~ have executed this ~~Addendum as of~~ Amendment on the date first ~~set~~ shown above.

forth above.

FRANCHISOR: _____ **DEVELOPER**
FRENCHIES, LLC ~~DEVELOPER:~~ _____

SIGNED: _____ **SIGNED:** _____

BY: _____ **BY:** _____

ITS: _____ **ITS:** _____

DATE: _____ **DATE:** _____

ADDENDUM

By: _____ By: _____
Name: _____ Name: _____
Title: _____ Title: _____
Date: _____ Date: _____

**NORTH DAKOTA AMENDMENT TO FRENCHIES, LLC D/B/A FRENCHIES
AREA DEVELOPMENT AGREEMENT**

REQUIRED FOR THE STATE OF NORTH DAKOTA

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

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

~~Section 6.B of the Area Development Agreement is amended to provide that~~THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“Amendment”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “Franchise Agreement”) dated _____, by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Franchisee”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

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

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

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

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

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

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

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

Document and Development Agreement.

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

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

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

~~3.~~ Based upon the franchisor's financial condition, the North Dakota Securities Department 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 ~~initial~~ franchise agreement.

4. 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.

Each provision of this Addendum to the Development Agreement shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the ~~undersigned parties~~ have executed this ~~Addendum as of~~ Amendment on the date first ~~set~~

~~forth~~shown above.

FRANCHISOR: _____ **FRANCHISEE**
FRENCHIES, LLC _____

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

VIRGINIA AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“Amendment”) dated _____ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “Development Agreement”) dated _____ by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Developer”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, (the “Act”), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Development Agreement does not constitute “reasonable cause,” as that term may be defined in the Act or the laws of Virginia, that provision may not be enforceable.

2. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

3. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRENCHIES, LLC _____

DEVELOPER: _____

SIGNED: _____

SIGNED: _____

BY: _____

BY: _____

ITS: _____

ITS: _____

DATE: _____

DATE: _____

~~ADDENDUM TO FRENCHIES, LLC D/B/A FRENCHIES~~
~~AREA~~

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

WASHINGTON AMENDMENT TO DEVELOPMENT AGREEMENT AND ALL RELATED AGREEMENTS

REQUIRED FOR THE STATE OF WASHINGTON

~~Notwithstanding~~ THIS ADDENDUM TO DEVELOPMENT AGREEMENT (“Addendum”) dated _____ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “Development Agreement”) dated _____ by and between Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal office in Southlake, Texas, and _____ (“you” or “Developer”). Defined terms contained in the Development Agreement shall have the identical meanings in this Addendum.

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 set forth in the Frenchies, LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Frenchies franchises offered and sold in the state of _____ contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in _____ Washington;

~~This Washington Addendum is only applicable if you are;~~ (b) the purchaser of the franchise is a resident of Washington or if you; ~~and/or (c) the franchised business will~~ that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~ 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 summarized in Item 17 of the areas ~~Franchise Disclosure Document, are subject to state law.~~

Site of ~~termination~~ **Arbitration, Mediation, and** ~~renewal of your franchise.~~

3. **/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~~ in the franchise agreement or related agreements purporting to bind the franchisee may not include rights to waive compliance with any provision under the Washington Franchise Investment Protection Act or any ~~rules~~ order ~~orders~~ thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. ~~Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~ in accordance with RCW 19.100.220(2).

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

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~~provision contained in the franchise agreement or elsewhere that ~~conflict~~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.

~~With regard to Section 8, "Miscellaneous" and/or "Acknowledgments" sections that are modified or removed~~

~~© 2024 Frenchies, LLC d/b/a FRENCHIES _____®~~

State Amendment

~~2024 FRANCHISE AGREEMENT-Development Agreement | 2025~~

~~by means of the Washington Addendum to the Franchise Agreement are also modified or removed from the Area Development Agreement.~~

~~Recital B of the Area Development Agreement will not apply in Washington.~~

~~Based upon the franchisor's financial condition, the State of Washington 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 and the franchise has opened for business. The development fee will be prorated and collected as each unit is opened.~~

~~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.~~

Questionnaires and Acknowledgments.

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

~~FRANCHISOR: FRENCHIES, LLC DEVELOPER:~~

~~_____

_____~~

~~SIGNED: SIGNED:~~

~~_____
_____~~

~~BY: BY:~~

~~_____
_____~~

~~ITS: ITS:~~

~~_____
_____~~

~~DATE: DATE:~~

~~_____
_____~~

~~_____~~

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

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

~~1. Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.~~

~~16. 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.~~

~~19. In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because Franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until Franchisor has met all its pre-opening obligations under the agreement and Franchisee is open for business with respect to each such location.~~

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

~~FRANCHISOR:~~ FRENCHIES, LLC ~~FRANCHISEE:~~ _____
DEVELOPER

~~SIGNED:~~ _____ ~~SIGNED:~~ _____

~~BY:~~ _____ ~~BY:~~ _____

~~ITS:~~ _____ ~~ITS:~~ _____

~~DATE:~~ _____ ~~DATE:~~ _____

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

EXHIBIT D
GENERAL RELEASE
(SAMPLE FORM ONLY)

GENERAL RELEASE

The undersigned and my heirs, administrators, executors, ancestors, and assigns, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby remise, release, and forever discharge Frenchies, LLC (“Franchisor”), a Colorado limited liability company, with its principal business offices located at 550 Reserve Street, Suite 380, Southlake, Texas 76092 and its Affiliates, and their respective owners, officers, directors, employees, and agents (collectively, the “Franchisor Released Parties”) from any and all claims, whether at law or in equity, and all contracts, controversies, claims, and demands whatsoever, at law or in equity, that I ever had, now have, or that my respective heirs, administrators, ancestors, executors, and/or assigns may have against the Franchisor Released Parties including, without limitation, all claims arising out of or related to that certain Franchise Agreement between Franchisor and

dated _____, 20____, and the offer and sale of the FRENCHIES® franchise opportunity.

I acknowledge that this general release extends to claims which I do not know or suspect to exist in my favor at the time of executing this Release Agreement, which if were known to me may have materially affected my decision to enter into this Release Agreement. I understand that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. I expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the date set forth below.

Signature: _____

Name: _____

Date: _____

[This General Release will be modified as necessary for consistency with any state law regulating franchising.]

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BCC Services Holding Company and Subsidiaries

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December 31, 2024

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Independent Auditor's Report

To the Board of Directors
BCC Services Holding Company and Subsidiaries

Opinion

We have audited the consolidated financial statements of BCC Services Holding Company and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024 and 2023 and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023 and the results of its operations and its cash flows for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023 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 *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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 consolidated financial statements.

To the Board of Directors
BCC Services Holding Company and Subsidiaries

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

March 14, 2025

BCC Services Holding Company and Subsidiaries

Consolidated Balance Sheet

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	\$ 5,281,398	\$ 5,290,681
Accounts receivable:		
Trade - Net	644,921	27,726
Other	245,992	333,633
Inventory	470,255	33,008
Prepaid expenses and other current assets	458,658	206,613
	<u>7,101,224</u>	<u>5,891,661</u>
Property and Equipment - Net	54,458	26,000
Operating Lease Right-of-use Assets - Net (Note 4)	301,293	158,457
Goodwill - Net (Note 5)	33,123,551	8,808,903
Intangible Assets - Net (Note 5)	32,756,067	2,654,486
Other Assets		
Deposits	13,316	2,925
Deferred tax asset - Net (Note 8)	-	1,013,421
Other noncurrent assets	99,175	-
	<u>99,175</u>	<u>-</u>
Total assets	<u>\$ 73,449,084</u>	<u>\$ 18,555,853</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable	\$ 222,105	\$ 119,369
Current portion of operating lease liability (Note 4)	126,860	14,721
Deferred revenue	687,582	264,209
Accrued compensation and other current liabilities	1,421,301	536,024
	<u>2,457,848</u>	<u>934,323</u>
Operating Lease Liability - Net of current portion (Note 4)	186,350	143,737
Other Long-term Liabilities - Deferred revenue - Net of current portion	6,187,706	1,197,916
	<u>6,187,706</u>	<u>1,197,916</u>
Total liabilities	8,831,904	2,275,976
Stockholders' Equity	64,617,180	16,279,877
	<u>64,617,180</u>	<u>16,279,877</u>
Total liabilities and stockholders' equity	<u>\$ 73,449,084</u>	<u>\$ 18,555,853</u>

BCC Services Holding Company and Subsidiaries

Consolidated Statement of Operations

	Year Ended December 31, 2024	Period from April 17, 2023 (Inception) to December 31, 2023
Net Revenue		
Royalty fees	\$ 5,426,163	\$ 1,053,674
Initial franchise fees	941,096	190,566
Advertising fund fees	1,683,554	187,880
Product revenue	2,747,056	-
Technology fees, service revenue, and other	1,639,993	329,960
Total net revenue	12,437,862	1,762,080
Cost of Sales	2,270,758	76,280
Gross Profit	10,167,104	1,685,800
Operating Expenses		
General and administrative expenses	13,231,652	2,704,283
Selling and marketing expenses	2,305,925	-
Transaction expenses	1,897,304	1,870,283
Total operating expenses	17,434,881	4,574,566
Operating Loss	(7,267,777)	(2,888,766)
Nonoperating Income (Expense)		
Interest income	1,860	548
Other income	94,366	47,775
Interest expense	(2,604)	-
Total nonoperating income	93,622	48,323
Loss - Before income taxes	(7,174,155)	(2,840,443)
Income Tax Expense (Recovery)	1,288,542	(675,320)
Consolidated Net Loss	\$ (8,462,697)	\$ (2,165,123)

BCC Services Holding Company and Subsidiaries

Consolidated Statement of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - April 17, 2023 (inception)	\$ -	\$ -	\$ -	\$ -
Consolidated net loss	-	-	(2,165,123)	(2,165,123)
Issuance - Common stock	184	18,444,816	-	18,445,000
Balance - December 31, 2023	184	18,444,816	(2,165,123)	16,279,877
Consolidated net loss	-	-	(8,462,697)	(8,462,697)
Issuance - Common stock	640	56,799,360	-	56,800,000
Balance - December 31, 2024	\$ 824	\$ 75,244,176	\$ (10,627,820)	\$ 64,617,180

BCC Services Holding Company and Subsidiaries

Consolidated Statement of Cash Flows

	Year Ended December 31, 2024	Period from April 17, 2023 (Inception) to December 31, 2023
Cash Flows from Operating Activities		
Consolidated net loss	\$ (8,462,697)	\$ (2,165,123)
Adjustments to reconcile consolidated net loss to net cash from operating activities:		
Amortization	5,256,296	607,481
Depreciation	15,995	-
Bad debt expense	75,345	-
Deferred income taxes	1,281,945	(675,320)
Noncash lease expense	11,917	-
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(165,244)	(110,372)
Inventory	71,367	5,212
Prepaid expenses and other assets	(296,031)	(130,787)
Accounts payable	8,462	99,125
Accrued and other liabilities	386,434	95,004
Deferred revenue	(304,566)	(205,950)
Net cash used in operating activities	(2,120,777)	(2,480,730)
Cash Flows from Investing Activities		
Cash paid for acquisitions - Net of cash acquired	(46,778,755)	(9,623,589)
Purchase of property and equipment	(209,751)	-
Net cash used in investing activities	(46,988,506)	(9,623,589)
Cash Flows Provided by Financing Activities - Proceeds from issuance of common stock	49,100,000	17,395,000
Net (Decrease) Increase in Cash	(9,283)	5,290,681
Cash - Beginning of period	5,290,681	-
Cash - End of period	<u>\$ 5,281,398</u>	<u>\$ 5,290,681</u>
Significant Noncash Transactions - Fair value of rollover equity issued for business acquisitions	\$ 7,700,000	\$ 1,050,000

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 1 - Nature of Business

BCC Services Holding Company and Subsidiaries (the "Company") includes its wholly owned subsidiaries, BCC Services Intermediate Holding Company (Intermediate); BCC Services, LLC; BCC Franchising LLC; Frenchies, LLC; Frenchies Revolution, LLC; and The Lash Franchise Holdings, LLC. The Company is an integrated franchisor of hair and beauty salons, including the following brands: Bishops Cuts/Color (Bishops), Frenchies Modern Nail Care (Frenchies), and The Lash Lounge (Lash Lounge). As of December 31, 2024, there were 40 Bishops locations, 24 Frenchies locations, and 140 Lash Lounge locations open and operating. As of December 31, 2023, there were 40 Bishops locations and 24 Frenchies locations open and operating. This includes one Frenchies location owned and operated by the Company.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash

The Company maintains cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable

Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. At December 31, 2024 and 2023, the Company had recorded an allowance for credit losses in the amount of \$98,091 and \$17,194, respectively. The Company evaluates the collectibility of its accounts receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables, historical collection trends, and charge-offs and includes adjustments for current economic conditions and reasonable and supportable forecasts. When the Company is aware of a franchisee or customer's inability to meet its financial obligation, the Company may individually evaluate the related receivable to determine the allowance for expected credit losses. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

Inventory

Inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method.

Leases

The Company has three operating leases, which are disclosed in Note 4.

The Company recognizes expense for operating leases on a straight-line basis over the lease term. The Company made a policy election not to separate lease and nonlease components for the lease. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Company elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for the lease.

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Intangible Assets

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

The Company has elected to apply the private company accounting alternative for intangible assets acquired in a business combination developed by the Private Company Council. Under the accounting alternative, certain acquired customer-related intangible assets and noncompetition agreements are not separately recognized apart from goodwill.

No impairment charge was recognized during the year ended December 31, 2024 or the period from April 17, 2023 (inception) to December 31, 2023.

Goodwill

The recorded amounts of goodwill from the business combinations disclosed in Note 3 are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. The Company has adopted the provisions of ASU No. 2021-08, *Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)*, which requires companies to record contracts with customers based on the guidance under ASC 606 rather than at fair value.

The Company has elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Company may be less than its carrying value. The Company has elected to test goodwill for impairment at the entitywide level.

No impairment charge was recognized during the year ended December 31, 2024 or the period from April 17, 2023 (inception) to December 31, 2023.

Revenue Recognition

The Company's revenue from operations mainly consists of franchise fees, royalties, advertising fees, technology fees, and product sales to franchisees. The Company sells individual franchisees the right to operate a store within a defined territory using one of the franchised names. The initial term of franchise agreements is typically 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid.

The Company has obligations to provide franchisees with the franchise rights to operate a store, training, and site selection, as well as technology and advertising for which fees are charged. The Company has concluded that the franchise right, training, and site selection obligations represent a single performance obligation. Therefore, initial franchise fees for each agreement are allocated to each individual franchise and recognized over the term of the respective franchise agreement beginning on the date a franchisee opens. Income for royalties, technology fees, and advertising fees is recognized over the term of the respective franchise agreement as the underlying services are provided. Income from product sales is recognized at the time the sale occurs.

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Payment Terms

Initial franchise fees are due and typically paid when a franchise agreement is executed and are nonrefundable. These fees are collected prior to the satisfaction of the Company's performance obligations, resulting in the Company recognizing deferred revenue contract liabilities. The portion of contract liabilities that is expected to be recognized as revenue within one year is classified as current on the consolidated balance sheet. Initial franchise fees are also received pursuant to area development agreements, which grant the right to develop franchised stores in future periods in specific geographic areas. Royalties and advertising fees are paid on a monthly basis based upon a percentage of franchisee gross sales. Technology fees are paid on a monthly basis based upon a fixed amount. Product sale fees are paid at the time the sale occurs.

Allocating the Transaction Price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to service customers. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that the agreements will not be canceled, renewed, or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and advertising fees, as the transaction price is based on the franchisees' sales. The variable consideration is recognized based on the actual amounts incurred each month.

Costs to Obtain a Franchise Agreement

The Company incurs broker commission expenses to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue, which is recognized over time. As a result, the broker commissions are capitalized as deferred broker commissions and are expensed over the term of the respective franchise agreement. As of December 31, 2024, deferred commissions equaled \$85,299. There were no deferred broker commissions as of December 31, 2023.

Income Taxes

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

Advertising Expense

In accordance with the Company's franchise agreements, franchisees pay a percentage of monthly sales to an advertising fund to be used for advertising, marketing, and other promotional purposes. Advertising expense is charged to income during the year in which it is incurred. Advertising fund expense for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023 was \$1,699,888 and \$180,945, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 14, 2025, which is the date the financial statements were available to be issued.

Note 3 - Business Combinations

BCC Services, LLC

On April 17, 2023, the Company acquired 100 percent of the equity of BCC Services, LLC. The primary reason for the acquisition was to expand the Company's portfolio of franchised brands within the hair and beauty salon industry.

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Cash - Net of purchase price adjustments	\$ 6,999,839
Noncash rollover equity - Common stock	<u>450,000</u>
Fair value of total consideration transferred	<u>\$ 7,449,839</u>

The fair value of the 450 shares of common stock issued as noncash rollover equity was based on a valuation of the Company's stock using an option-pricing model, as disclosed in Note 6.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 62,146
Accounts receivable	60,305
Other assets	23,922
Deferred tax asset	234,337
Trade name and franchise agreements	1,676,000
Assumed operating liabilities	(106,734)
Deferred revenue	<u>(979,102)</u>
Total identifiable net assets	970,874
Goodwill	<u>6,478,965</u>
Total	<u>\$ 7,449,839</u>

The fair value of financial assets includes accounts receivable with a gross contractual value of \$60,305, all of which is expected to be collectible.

Identifiable intangible assets acquired and subject to amortization include the trade name and franchise agreements with estimated useful lives of 15 years. The fair value of the trade name was determined using a relief from royalty method, and the fair value of the franchise agreements was determined using a multiperiod excess earnings method.

Goodwill was recognized for the excess of the purchase price over the fair value of the net assets acquired. Goodwill relates to the growth potential of the Company, the value of customer-related intangibles, and management and operational expertise. The weighted-average amortization period for the goodwill recognized is 10 years.

Acquisition-related costs, which include legal, accounting, and transaction fees, were approximately \$1,140,000 and have been included in operating expenses on the accompanying consolidated statement of operations.

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 3 - Business Combinations (Continued)

Frenchies, LLC and Frenchies Revolution, LLC

On November 7, 2023, the Company acquired 100 percent of the equity of Frenchies, LLC and Frenchies Revolution, LLC. The primary reason for the acquisition was to expand the Company's portfolio of franchised brands within the hair and beauty salon industry.

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Cash - Net of purchase price adjustments	\$ 3,290,606
Noncash rollover equity - Common stock	<u>600,000</u>
Fair value of total consideration transferred	<u>\$ 3,890,606</u>

The fair value of the 600 shares of common stock issued as noncash rollover equity was based on a valuation of the Company's stock using an option-pricing model, as disclosed in Note 6.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 604,710
Accounts receivable	46,824
Inventory	38,220
Other assets	198,686
Property and equipment	26,000
Right-of-use operating lease asset	162,598
Deferred tax asset	103,764
Trade name and franchise agreements	1,068,000
Assumed operating liabilities	(354,530)
Deferred revenue	(688,973)
Operating lease liability	<u>(162,598)</u>
Total identifiable net assets	1,042,701
Goodwill	<u>2,847,905</u>
Total	<u>\$ 3,890,606</u>

The fair value of financial assets includes accounts receivable with a gross contractual value of \$46,824, all of which is expected to be collectible.

Identifiable intangible assets acquired and subject to amortization include the trade name and franchise agreements with estimated useful lives of 15 years. The fair value of the trade name was determined using a relief from royalty method, and the fair value of the franchise agreements was determined using a multiperiod excess earnings method.

Goodwill was recognized for the excess of the purchase price over the fair value of the net assets acquired. Goodwill relates to the growth potential of the Company, the value of customer-related intangibles, and management and operational expertise. The weighted-average amortization period for the goodwill recognized is 10 years.

Acquisition-related costs, which include legal, accounting, and transaction fees, were approximately \$730,000 and have been included in operating expenses on the accompanying consolidated statement of operations.

The Lash Franchise Holdings, LLC

On February 28, 2024, the Company acquired 100 percent of the outstanding membership interests of The Lash Franchise Holdings, LLC. The primary reason for the acquisition was to expand the Company's portfolio of franchised brands within the hair and beauty salon industry.

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 3 - Business Combinations (Continued)

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Cash - Net of purchase price adjustments	\$ 47,032,426
Noncash rollover equity - Common stock	<u>7,700,000</u>
Fair value of total consideration transferred	<u>\$ 54,732,426</u>

The fair value of the 8,670 shares of common stock issued as noncash rollover equity was based on a valuation of the Company's stock using an option-pricing model, as disclosed in Note 6.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 253,671
Accounts receivable	439,655
Inventory	508,614
Other assets	65,581
Property and equipment	40,002
Right-of-use operating lease asset	368,764
Deferred tax asset	268,524
Trade name and franchise agreements	32,060,000
Assumed operating liabilities	(593,117)
Deferred revenue	(5,717,729)
Operating lease liabilities	<u>(368,764)</u>
Total identifiable net assets	27,325,201
Goodwill	<u>27,407,225</u>
Total	<u>\$ 54,732,426</u>

The fair value of financial assets includes accounts receivable with a gross contractual value of \$439,655, all of which is expected to be collectible.

Identifiable intangible assets acquired and subject to amortization include the trade name and franchise agreements with estimated useful lives of 15 years. The fair value of the trade name was determined using a relief from royalty method, and the fair value of the franchise agreements was determined using a multiperiod excess earnings method.

Goodwill was recognized for the excess of the purchase price over the fair value of the net assets acquired. Goodwill relates to the growth potential of the Company, the value of customer-related intangibles, and management and operational expertise. The weighted-average amortization period for the goodwill recognized is 10 years.

Acquisition-related costs, which include legal, accounting, and transaction fees, were approximately \$1,900,000 and have been included in operating expenses on the accompanying consolidated statement of operations.

Note 4 - Leases

The Company is obligated under operating leases for its corporate-owned Frenchies location and corporate office space through February 2029. The right-of-use assets and related lease liabilities have been calculated using discount rates ranging from 4.15 percent to 4.61 percent. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under the leases was \$199,172 and \$13,795 for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023, respectively. Total cash paid under the leases was \$95,719 and \$6,099 for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023, respectively.

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 4 - Leases (Continued)

Future minimum annual commitments under the operating leases are as follows:

Years Ending December 31	Amount
2025	\$ 144,491
2026	86,903
2027	57,537
2028	38,625
2029	6,458
Total	334,014
Less amount representing interest	20,804
Present value of net minimum lease payments	313,210
Less current obligations	126,860
Long-term obligations under leases	\$ 186,350

Note 5 - Acquired Intangible Assets and Goodwill

Intangible assets and goodwill of the Company at December 31, 2024 and 2023 are summarized as follows:

	2024		2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and goodwill:				
Goodwill	\$ 36,921,895	\$ 3,798,344	\$ 9,326,870	\$ 517,967
Trade names	5,209,500	340,949	1,128,000	38,465
Franchise agreements	29,612,000	1,724,484	1,616,000	51,049
Total amortized intangible assets and goodwill	\$ 71,743,395	\$ 5,863,777	\$ 12,070,870	\$ 607,481

Amortization expense for intangible assets and goodwill totaled \$5,256,296 and \$607,481 for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023, respectively.

Goodwill totaling approximately \$27,407,000 and \$9,327,000 was added during 2024 and 2023, respectively, as a result of the acquisitions disclosed in Note 3.

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 5 - Acquired Intangible Assets and Goodwill (Continued)

Estimated amortization expense for the years ending December 31 is as follows:

<u>Years Ending</u>	<u>Amount</u>
2025	\$ 6,012,456
2026	6,012,456
2027	6,012,456
2028	6,012,456
2029	6,012,456
Thereafter	<u>35,817,338</u>
Total	<u>\$ 65,879,618</u>

Note 6 - Stockholders' Equity

Common stock consists of 300,000 authorized shares of \$0.01 par value stock. As of December 31, 2024 and 2023, 82,403 and 18,445 shares, respectively, were issued and outstanding. The units authorized can be adjusted from time to time, as determined by the Company's board of directors.

Effective November 6, 2023, the Company established an equity and performance incentive plan (the "Plan"), which allows for common stock options to be granted to certain key employees. The purpose of the Plan is to attract and retain directors, consultants, officers, and other key employees for the Company and to provide to such persons incentives and rewards for superior performance. The Company issued options to purchase 4,944 and 147 shares of common stock during 2024 and 2023, respectively. The options shall become exercisable with respect to one-seventh of the option shares on each of the first seven anniversaries of the grant date. However, upon the occurrence of a change in control event, all options granted will become immediately exercisable. The value of the options as of the grant date was *de minimis*, and no compensation expense was recorded during the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023.

Note 7 - Related Party Transactions

For the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023, the Company paid financial and management consulting fees to equity sponsors of \$791,663 and \$486,223, respectively. These expenses are included as a component of operating expenses in the consolidated statement of operations.

Note 8 - Income Taxes

The components of the income tax provision included in the consolidated statement of operations for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023 are all attributable to continuing operations and are detailed as follows:

	<u>2024</u>	<u>2023</u>
Current income tax expense	\$ 46,506	\$ -
Deferred income tax recovery	(1,281,945)	(675,320)
Change in valuation reserve	2,523,981	-
Total income tax expense (recovery)	<u>\$ 1,288,542</u>	<u>\$ (675,320)</u>

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 8 - Income Taxes (Continued)

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to income before taxes for the year ended December 31, 2024 and the period from April 17, 2023 (inception) to December 31, 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Income tax recovery, computed at 21 percent of pretax loss	\$ (1,508,642)	\$ (596,493)
Permanent differences	197,404	21,096
State income tax recovery	115,043	(99,704)
Change in valuation allowance	2,523,981	-
Other	(39,244)	(219)
	<u>\$ 1,288,542</u>	<u>\$ (675,320)</u>

The details of the net deferred tax asset at December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Total deferred tax liabilities	\$ (439,994)	\$ (74,042)
Total deferred tax assets	2,963,975	1,087,463
Valuation allowance recognized for deferred tax assets	(2,523,981)	-
	<u>\$ -</u>	<u>\$ 1,013,421</u>


GUARANTEE OF PERFORMANCE

For value received, BCC Services Holding Company, a Delaware corporation (the “Guarantor”), located at 550 Reserve Street, Suite 380, Southlake, Texas 76092, absolutely and unconditionally guarantees to assume the duties and obligations of Frenchies, LLC, located at 550 Reserve Street, Suite 380, Southlake, Texas 76092 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at _____ on the ____ of _____, 2025.

Guarantor:

BCC Services Holding Company

By:  _____

Name: Meg Roberts

Title: CEO

GUARANTEE OF PERFORMANCE

For value received, BCC Services Holding Company, a Delaware corporation (the "Guarantor"), located at 550 Reserve Street, Suite 380, Southlake, Texas 76092, absolutely and unconditionally guarantees to assume the duties and obligations of Frenchies, LLC, located at 550 Reserve Street, Suite 380, Southlake, Texas 76092 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 12pm on the 23 of OCT, 2024.

Guarantor:

BCC Services Holding Company

By: Meg Roberts

Name: Meg Roberts

Title: CEO

BCC Services Holding Company and Subsidiaries

**Consolidated Financial Report
December 31, 2023**

BCC Services Holding Company and Subsidiaries

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Independent Auditor's Report

To the Board of Directors
BCC Services Holding Company and Subsidiaries

Opinion

We have audited the consolidated financial statements of BCC Services Holding Company and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from April 17, 2023 (inception) to December 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and the results of its operations and its cash flows for the period from April 17, 2023 (inception) to December 31, 2023 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

To the Board of Directors
BCC Services Holding Company and Subsidiaries

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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Plante & Moran, PLLC

March 25, 2024

BCC Services Holding Company and Subsidiaries

Consolidated Balance Sheet

December 31, 2023

Assets	
Current Assets	
Cash	\$ 5,290,681
Accounts receivable:	
Trade - Net	27,726
Other	333,633
Inventory	33,008
Prepaid expenses and other current assets	206,613
	<hr/>
Total current assets	5,891,661
Property and Equipment	26,000
Operating Lease Right-of-use Assets - Net (Note 4)	158,457
Goodwill - Net (Note 5)	8,808,903
Intangible Assets - Net (Note 5)	2,654,486
Other Assets	
Deposits	2,925
Deferred tax asset (Note 8)	1,013,421
	<hr/>
Total assets	<u><u>\$ 18,555,853</u></u>
Liabilities and Stockholders' Equity	
Current Liabilities	
Trade accounts payable	\$ 119,369
Current portion of operating lease liability (Note 4)	14,721
Deferred revenue	264,209
Accrued and other current liabilities	536,024
	<hr/>
Total current liabilities	934,323
Operating Lease Liability - Net of current portion (Note 4)	143,737
Other Long-term Liabilities - Deferred revenue - Net of current portion	1,197,916
	<hr/>
Total liabilities	2,275,976
Stockholders' Equity	16,279,877
	<hr/>
Total liabilities and stockholders' equity	<u><u>\$ 18,555,853</u></u>

BCC Services Holding Company and Subsidiaries

Consolidated Statement of Operations

Period from April 17, 2023 (Inception) to December 31, 2023

Net Revenue	
Royalty fees	\$ 1,053,674
Initial franchise fees	190,566
Advertising fund fees	187,880
Other	<u>329,960</u>
Total net revenue	1,762,080
Cost of Sales	<u>76,280</u>
Gross Profit	1,685,800
Operating Expenses	
General and administrative expenses	2,704,283
Transaction expenses	<u>1,870,283</u>
Total operating expenses	<u>4,574,566</u>
Operating Loss	(2,888,766)
Nonoperating Income	
Interest income	548
Other income	<u>47,775</u>
Total nonoperating income	<u>48,323</u>
Loss - Before income taxes	(2,840,443)
Income Tax Recovery	<u>(675,320)</u>
Consolidated Net Loss	<u><u>\$ (2,165,123)</u></u>

BCC Services Holding Company and Subsidiaries

Consolidated Statement of Stockholders' Equity

Period from April 17, 2023 (Inception) to December 31, 2023

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - April 17, 2023 (inception)	\$ -	\$ -	\$ -	\$ -
Consolidated net loss	-	-	(2,165,123)	(2,165,123)
Issuance - Common stock	184	18,444,816	-	18,445,000
Balance - December 31, 2023	\$ 184	\$ 18,444,816	\$ (2,165,123)	\$ 16,279,877

BCC Services Holding Company and Subsidiaries

Consolidated Statement of Cash Flows

Period from April 17, 2023 (Inception) to December 31, 2023

Cash Flows from Operating Activities	
Net loss	\$ (2,165,123)
Adjustments to reconcile net loss to net cash from operating activities:	
Amortization	607,481
Deferred income taxes	(675,320)
Changes in operating assets and liabilities that (used) provided cash:	
Accounts receivable	(110,372)
Inventory	5,212
Prepaid expenses and other assets	(130,787)
Accounts payable	99,125
Accrued and other liabilities	95,004
Deferred revenue	(205,950)
Net cash used in operating activities	(2,480,730)
Cash Flows Used in Investing Activities - Cash paid for acquisitions - Net of cash acquired	(9,623,589)
Cash Flows Provided by Financing Activities - Proceeds from issuance of common stock	17,395,000
Net Increase in Cash	5,290,681
Cash - Beginning of period	-
Cash - End of period	<u><u>\$ 5,290,681</u></u>
Significant Noncash Transactions - Fair value of rollover equity issued for business acquisitions	\$ 1,050,000

December 31, 2023

Note 1 - Nature of Business

BCC Services Holding Company and Subsidiaries (the "Company") includes its wholly owned subsidiaries, BCC Services Intermediate Holding Company (Intermediate); BCC Services, LLC; BCC Franchising, LLC; Frenchies, LLC; and Frenchies Revolution, LLC. The Company is an integrated franchisor of hair and beauty salons, including the following brands: Bishops Cuts/Color (Bishops) and Frenchies Modern Nail Care (Frenchies). As of December 31, 2023, there were 40 Bishops locations and 24 Frenchies locations open and operating. This includes one Frenchies location owned and operated by the Company.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash

The Company maintains cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable

Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. At December 31, 2023, the Company had recorded an allowance for credit losses in the amount of \$17,194. The Company evaluates the collectibility of its accounts receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables, historical collection trends, and charge-offs and includes adjustments for current economic conditions and reasonable and supportable forecasts. When the Company is aware of a franchisee or customer's inability to meet its financial obligation, the Company may individually evaluate the related receivable to determine the allowance for expected credit losses. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

Leases

The Company has one operating lease, which is disclosed in Note 4.

The Company recognizes expense for operating leases on a straight-line basis over the lease term. The Company made a policy election not to separate lease and nonlease components for the lease. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Company elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for the lease.

Intangible Assets

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

December 31, 2023

Note 2 - Significant Accounting Policies (Continued)

The Company has elected to apply the private company accounting alternative for intangible assets acquired in a business combination developed by the Private Company Council. Under the accounting alternative, certain acquired customer related intangible assets and noncompetition agreements are not separately recognized apart from goodwill.

No impairment charge was recognized during the period from April 17, 2023 (inception) to December 31, 2023.

Goodwill

The recorded amounts of goodwill from the business combinations disclosed in Note 3 are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. The Company early adopted the provisions of ASU No. 2021-08, *Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)*, which requires companies to record contracts with customers based on the guidance under ASC 606 rather than at fair value.

The Company has elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Company may be less than its carrying value. The Company has elected to test goodwill for impairment at the entitywide level.

No impairment charge was recognized during the period from April 17, 2023 (inception) to December 31, 2023.

Revenue Recognition

The Company's revenue from operations mainly consists of franchise fees, royalties, advertising fees, and technology fees. The Company sells individual franchisees the right to operate a store within a defined territory using one of the franchised names. The initial term of franchise agreements is typically 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid.

The Company has obligations to provide franchisees with the franchise rights to operate a store, training, and site selection, as well as technology and advertising for which fees are charged. The Company has concluded that the franchise right, training, and site selection obligations represent a single performance obligation. Therefore, initial franchise fees for each agreement are allocated to each individual franchise and recognized over the term of the respective franchise agreement beginning on the date a franchisee opens. Income for royalties, technology fees, and advertising fees is recognized over the term of the respective franchise agreement as the underlying services are provided.

Payment Terms

Initial franchise fees are due and typically paid when a franchise agreement is executed and are nonrefundable. These fees are collected prior to the satisfaction of the Company's performance obligations, resulting in the Company recognizing deferred revenue contract liabilities. The portion of contract liabilities that is expected to be recognized as revenue within one year is classified as current on the consolidated balance sheet. Initial franchise fees are also received pursuant to area development agreements, which grant the right to develop franchised stores in future periods in specific geographic areas. Royalties and advertising fees are paid on a monthly basis based upon a percentage of franchisee gross sales. Technology fees are paid on a monthly basis based upon a fixed amount.

Note 2 - Significant Accounting Policies (Continued)

Allocating the Transaction Price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to service customers. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that the agreements will not be canceled, renewed, or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and advertising fees, as the transaction price is based on the franchisees' sales. The variable consideration is recognized based on the actual amounts incurred each month.

Costs to Obtain a Franchise Agreement

The Company frequently incurs broker commission expenses to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue, which is recognized over time. As a result, the broker commissions are capitalized as deferred broker commissions and are expensed over the term of the respective franchise agreement. There were no deferred broker commissions as of December 31, 2023 and no broker commission expenses recognized during the period from April 17, 2023 (inception) to December 31, 2023.

Income Taxes

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

Advertising Expenses

In accordance with the Company's franchise agreements, franchisees pay a percentage of monthly sales to an advertising fund to be used for advertising, marketing, and other promotional purposes. Advertising expenses are charged to income during the year in which they are incurred. Advertising fund expense for the period from April 17, 2023 (inception) to December 31, 2023 was \$202,913.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 25, 2024, which is the date the financial statements were available to be issued.

Note 3 - Business Combinations

BCC Services, LLC

On April 17, 2023, the Company acquired 100 percent of the equity of BCC Services, LLC. The primary reason for the acquisition was to expand the Company's portfolio of franchised brands within the hair and beauty salon industry.

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023

Note 3 - Business Combinations (Continued)

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Cash - Net of purchase price adjustments	\$ 6,999,839
Noncash rollover equity - Common stock	<u>450,000</u>
Fair value of total consideration transferred	<u>\$ 7,449,839</u>

The fair value of the 450 shares of common stock issued as noncash rollover equity was based on a valuation of the Company's stock using an option-pricing model, as disclosed in Note 6.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 62,146
Accounts receivable	60,305
Other assets	23,922
Deferred tax asset	234,337
Trade name and franchise agreements	1,676,000
Assumed operating liabilities	(106,734)
Deferred revenue	<u>(979,102)</u>
Total identifiable net assets	970,874
Goodwill	<u>6,478,965</u>
Total	<u>\$ 7,449,839</u>

The fair value of financial assets includes accounts receivable with a gross contractual value of \$60,305, all of which is expected to be collectible.

Identifiable intangible assets acquired and subject to amortization include the trade name and franchise agreements with estimated useful lives of 15 years. The fair value of the trade name was determined using a relief from royalty method, and the fair value of the franchise agreements was determined using a multiperiod excess earnings method.

Goodwill was recognized for the excess of the purchase price over the fair value of the net assets acquired. Goodwill relates to the growth potential of the Company, the value of customer-related intangibles, and management and operational expertise. The weighted-average amortization period for the goodwill recognized is 10 years.

Acquisition-related costs, which include legal, accounting, and transaction fees, were approximately \$1,140,000 and have been included in operating expenses on the accompanying consolidated statement of operations.

Frenchies, LLC and Frenchies Revolution, LLC

On November 7, 2023, the Company acquired 100 percent of the equity of Frenchies, LLC and Frenchies Revolution, LLC. The primary reason for the acquisition was to expand the Company's portfolio of franchised brands within the hair and beauty salon industry.

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Cash - Net of purchase price adjustments	\$ 3,290,606
Noncash rollover equity - Common stock	<u>600,000</u>
Fair value of total consideration transferred	<u>\$ 3,890,606</u>

The fair value of the 600 shares of common stock issued as noncash rollover equity was based on a valuation of the Company's stock using an option-pricing model, as disclosed in Note 6.

Notes to Consolidated Financial Statements

December 31, 2023

Note 3 - Business Combinations (Continued)

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 604,710
Accounts receivable	46,824
Inventory	38,220
Other assets	198,686
Property and equipment	26,000
Right-of-use operating lease asset	162,598
Deferred tax asset	103,764
Trade name and franchise agreements	1,068,000
Assumed operating liabilities	(354,530)
Deferred revenue	(688,973)
Operating lease liability	<u>(162,598)</u>
Total identifiable net assets	1,042,701
Goodwill	<u>2,847,905</u>
Total	<u><u>\$ 3,890,606</u></u>

The fair value of financial assets includes accounts receivable with a gross contractual value of \$46,824, all of which is expected to be collectible.

Identifiable intangible assets acquired and subject to amortization include the trade name and franchise agreements with estimated useful lives of 15 years. The fair value of the trade name was determined using a relief from royalty method, and the fair value of the franchise agreements was determined using a multiperiod excess earnings method.

Goodwill was recognized for the excess of the purchase price over the fair value of the net assets acquired. Goodwill relates to the growth potential of the Company, the value of customer-related intangibles, and management and operational expertise. The weighted-average amortization period for the goodwill recognized is 10 years.

Acquisition-related costs, which include legal, accounting, and transaction fees, were approximately \$730,000 and have been included in operating expenses on the accompanying consolidated statement of operations.

Note 4 - Leases

The Company is obligated under an operating lease for its corporate-owned Frenchies location through February 2029. The right-of-use asset and related lease liability have been calculated using a discount rate of 4.54 percent. The lease requires the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense and cash paid under the lease was \$6,645 and \$6,099, respectively, for the period from April 17, 2023 (inception) to December 31, 2023.

BCC Services Holding Company and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023

Note 4 - Leases (Continued)

Future minimum annual commitments under this operating lease are as follows:

Years Ending December 31	Amount
2024	\$ 35,995
2025	36,473
2026	37,190
2027	37,908
2028	38,625
Thereafter	<u>6,458</u>
Total	192,649
Less amount representing interest	<u>34,191</u>
Present value of net minimum lease payments	158,458
Less current obligations	<u>14,721</u>
Long-term obligations under leases	<u>\$ 143,737</u>

Note 5 - Acquired Intangible Assets and Goodwill

Intangible assets and goodwill of the Company at December 31, 2023 are summarized as follows:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and goodwill:		
Goodwill	\$ 9,326,870	\$ 517,967
Trade names	1,128,000	38,465
Franchise agreements	<u>1,616,000</u>	<u>51,049</u>
Total amortized intangible assets and goodwill	<u>\$ 12,070,870</u>	<u>\$ 607,481</u>

Amortization expense for intangible assets and goodwill totaled \$607,481 for the period from April 17, 2023 (inception) to December 31, 2023.

Goodwill totaling \$9,326,870 was added during 2023 as a result of the acquisitions disclosed in Note 3.

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2024	\$ 1,115,620
2025	1,115,620
2026	1,115,620
2027	1,115,620
2028	1,115,620
Thereafter	<u>5,885,289</u>
Total	<u>\$ 11,463,389</u>

Notes to Consolidated Financial Statements

December 31, 2023

Note 6 - Stockholders' Equity

Common stock consists of 18,445 authorized shares of \$0.01 par value stock. As of December 31, 2023, all shares were issued and outstanding. The units authorized can be adjusted from time to time, as determined by the Company's board of directors.

Effective November 6, 2023, the Company established an equity and performance incentive plan (the "Plan"), which allows for common stock options to be granted to certain key employees. The purpose of the Plan is to attract and retain directors, consultants, officers, and other key employees for the Company and to provide to such persons incentives and rewards for superior performance. The Company issued options to purchase 146.75 shares of common stock during 2023. The options shall become exercisable with respect to one-seventh of the option shares on each of the first seven anniversaries of the grant date. However, upon the occurrence of a change in control event, all options granted will become immediately exercisable. The value of the options as of the grant date was *de minimis*, and no compensation expense was recorded during the period from April 17, 2023 (inception) to December 31, 2023.

Note 7 - Related Party Transactions

For the period from April 17, 2023 (inception) to December 31, 2023, the Company paid financial and management consulting fees to an equity sponsor of \$486,223. These expenses are included as a component of operating expenses in the consolidated statement of operations.

Note 8 - Income Taxes

The components of the income tax provision included in the consolidated statement of operations are all attributable to continuing operations and are detailed as follows:

Current income tax expense	\$ -
Deferred income tax recovery	<u>(675,320)</u>
Total income tax recovery	<u><u>\$ (675,320)</u></u>

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to income before taxes is as follows:

Income tax recovery, computed at 21 percent of pretax loss	\$ (596,493)
Permanent differences	21,096
State income tax recovery	(99,704)
Other	<u>(219)</u>
Total provision for income taxes	<u><u>\$ (675,320)</u></u>

The details of the net deferred tax asset at December 31 are as follows:

Total deferred tax liabilities	\$ (74,042)
Total deferred tax assets	<u>1,087,463</u>
Total	<u><u>\$ 1,013,421</u></u>

Notes to Consolidated Financial Statements

December 31, 2023

Note 9 - Subsequent Events

On February 28, 2024, the Company entered into a membership interest purchase agreement to acquire the outstanding equity interests of an unrelated company in a business acquisition accounted for as a business combination. The purchase price at the date of closing was approximately \$55,000,000. The acquisition was funded with cash totaling approximately \$49,100,000 and seller rollover equity of approximately \$7,700,000. The Company paid acquisition-related costs at closing totaling approximately \$1,800,000 using the proceeds above. As of the date the consolidated financial statements were available to be issued, the purchase price allocation has not been completed.

THE BALANCE SHEET OF BCC SERVICES HOLDING COMPANY AS OF AUGUST 31, 2024, AS WELL AS BCC SERVICES HOLDING COMPANY'S STATEMENT OF INCOME FOR THE INTERIM PERIOD BEGINNING JANUARY 1, 2024, AND ENDING AUGUST 31, 2024, HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

BCC Services Holding Company

Balance Sheet

For the 8 months ended August 31, 2024

(unaudited)

Assets

Current Assets

Cash	5,186,024
Accounts Receivable (A/R)	689,742
Prepaid Expenses	288,998
Inventory	531,708
Other Current Assets	2,579,149
Total Current Assets	9,275,620.2

Long-Term Assets

Fixed Asset	158,359
Accumulated Depreciation	(121,468)
Net Fixed Assets	36,891
Other Long Term Assets	1,338,325
Transaction Costs	-
Capitalized Software	-
Franchise Agreements	1,493,129
Trade Name	1,039,401
Goodwill	63,160,262
Total Long-Term Assets	67,068,008.4

Total GAAP Assets 76,343,628.6

Liabilities and stockholders' equity

LIABILITIES AND EQUITY:

Current Liabilities

Accounts Payable (A/P)	313,299
Accrued Expenses	485,084
Gift Card Liabilities	52,868
Current Portion of Long Term Debt	-
Deferred Revenue - Current	2,893,705
Other Current Liabilities	515,910
Total Current Liabilities	4,260,865.4

Long Term Debt	
Senior Term A	-
Senior Term B	-
Notes Payable - LT	-
Total Long Term Debt	<u>0.0</u>
Other L/T Liabilities	
Other L/T Liabilities	325,494
Deferred Revenue - Long Term	1,132,372
Total Other L/T Liabilities	<u>1,457,866.1</u>
Total Liabilities	<u>5,718,731.5</u>
Shareholders' Equity	
Equity	75,245,000
Retained Earnings	(4,625,472)
Net Income	5,369
Total Shareholders' Equity	<u>70,624,897.1</u>
Total Liabilities and Shareholders' Equity	<u>76,343,628.6</u>

BCC Services Holding Company
Statement of Income, YTD
For the 8 months ended August 31, 2024
(unaudited)

Net Sales	
Franchise Sales	179,000
Royalties	4,006,800
Other	3,472,400
Total Net Sales	7,688,300
Cost of Sales	1,951,700
Gross Profit	5,736,600
Operating Expenses	
Sales and Marketing	546,700
General and Administrative	3,696,100
Total Operating Expenses	
Operating Income	1,493,800
Depreciation / Amortization	725,900
Other Income / (Expense)	4,032,000
Total Other Income/(expense)	(3,306,100)
Net Income (Loss)	(1,812,300)

FRENCHIES, LLC

FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

DECEMBER 31, 2022, 2021 (RESTATED), and 2020 (RESTATED)



FRENCHIES, LLC

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Independent Auditor's Report

To the Members
of Frenchies, LLC

Opinion

We have audited the accompanying financial statements of Frenchies, LLC, (“the Company”) which comprise the balance sheet as of December 31, 2022 and the related statements of operations, members’ equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frenchies, LLC as of December 31, 2022 and the results of its operations and its cash flows for the year then ended 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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Company as of December 31, 2021 and 2020 were audited by other auditors whose reports dated April 29, 2022 and April 30, 2021 respectively, expressed an unmodified opinion on those statements.

Emphasis of Matter - Correction of Errors

As discussed in Note 11 to the financial statements, errors resulting in misstatements of amounts previously reported for deferred commissions and deferred revenue were discovered by management of the Company during the year. Accordingly, amounts reported for deferred commissions and deferred revenue have been restated and an adjustment has been made to retained earnings as of December 31, 2021 to correct the errors. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezas & Dunaway

St. George, Utah
May 5, 2023

FRENCHIES, LLC

BALANCE SHEET

As of December 31, 2022, 2021 (restated), and 2020 (restated)

	2022	2021*	2020*
Assets			
Current assets:			
Cash	\$ 718,035	\$ 214,667	\$ 228,037
Employee retention credit receivable	63,884	63,884	-
Other current assets	613	1,263	-
Note receivable	39,500	-	-
Total current assets	822,032	279,814	228,037
Deferred commissions, non-current	476,647	644,295	876,862
Property and equipment, net	11,457	25,070	35,204
Intangible assets, net	11,229	26,200	41,172
Total assets	\$ 1,321,365	\$ 975,379	\$ 1,181,275
Liabilities and members' equity			
Current liabilities:			
Credit card payable	\$ 9,642	\$ 22,876	\$ 17,022
Accrued interest	12,638	-	-
Notes payable, current	-	150,612	17,663
Related party notes payable, current	48,303	308,268	91,132
Total current liabilities	70,583	481,756	125,817
Related party notes payable, non-current	212,421	-	308,268
Notes payable, non-current	620,000	196,264	454,504
Deferred revenue, non-current	658,000	849,500	1,170,050
Total liabilities	1,561,004	1,527,520	2,058,639
Members' equity			
Members' capital	140,000	-	-
Accumulated members' deficit	(379,639)	(552,141)	(877,364)
Total members' deficit	(239,639)	(552,141)	(877,364)
Total liabilities and members' equity	\$ 1,321,365	\$ 975,379	\$ 1,181,275

The accompanying notes are an integral part of these financial statements.

*Certain amounts shown here do not correspond to the 2021 and 2020 financial statements and reflect adjustments made. Refer to Note 11.

FRENCHIES, LLC
STATEMENT OF OPERATIONS
For the years ended December 31, 2022, 2021(restated), and 2020 (restated)

	<u>2022</u>	<u>2021*</u>	<u>2020*</u>
Revenue:			
Franchise fees	\$ 285,500	\$ 320,550	\$ 1,474,550
Termination fees	83,588	65,176	-
Transfer fees	15,000	-	-
Royalty fees	593,485	482,292	369,320
Ad fund fees	210,825	188,070	134,298
Technology fees	124,359	138,209	70,507
Branded product income	92,235	45,147	-
Other franchise income	7,723	-	55,240
Total revenue	<u>1,412,715</u>	<u>1,239,445</u>	<u>2,103,915</u>
Operating expenses:			
Franchise development	218,673	292,249	154,285
Professional fees	70,194	62,334	38,433
Marketing expenses	272,629	226,209	408,871
Depreciation and amortization	22,045	25,106	12,607
General and administrative	602,819	521,891	1,176,934
Total operating expenses	<u>1,186,360</u>	<u>1,127,789</u>	<u>1,791,130</u>
Operating income	<u>226,355</u>	<u>111,656</u>	<u>312,785</u>
Other income (expense)			
Interest income	37	11	-
Interest expense	(47,351)	(19,266)	(58,176)
Loss on disposal of assets	(6,539)	-	-
Other income	-	232,822	-
Total other income (expense)	<u>(53,853)</u>	<u>213,567</u>	<u>(58,176)</u>
Net income	<u>\$ 172,502</u>	<u>\$ 325,223</u>	<u>\$ 254,609</u>

The accompanying notes are an integral part of these financial statements.

*Certain amounts shown here do not correspond to the 2021 and 2020 financial statements and reflect adjustments made. Refer to Note 11.

FRENCHIES, LLC
STATEMENT OF MEMBERS' EQUITY
For the years ended December 31, 2022, 2021(restated), and 2020 (restated)

	Members' Capital	Accumulated Members' Deficit	Total Members' Deficit
Balance at December 31, 2019	-	\$ (1,922,311)	\$ (1,922,311)
Prior year adjustment (see note 11)	-	790,338	790,338
Net income	-	254,609	254,609
Balance at December 31, 2020*	-	(877,364)	\$ (877,364)
Net income	-	325,223	325,223
Balance at December 31, 2021 *	\$ -	\$ (552,141)	\$ (552,141)
Convertible notes	140,000	-	140,000
Net income	-	172,502	172,502
Balance at December 31, 2022	\$ 140,000	\$ (379,639)	\$ (239,639)

The accompanying notes are an integral part of these financial statements.

*Certain amounts shown here do not correspond to the 2021 and 2020 financial statements and reflect adjustments made.
Refer to Note 11.

FRENCHIES, LLC
STATEMENT OF CASH FLOWS

For the years ended December 31, 2022, 2021(restated), and 2020 (restated)

	2022	2021*	2020*
Cash flows from operating activities:			
Net income	\$ 172,502	\$ 325,223	\$ 254,609
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,045	25,106	12,607
Loss on disposal of assets	6,539	-	-
Changes in operating assets and liabilities:			
Deferred commissions	167,648	232,567	239,410
Employee retention credit receivable	-	(63,884)	(40,718)
Other current assets	650	-	-
Accounts payable	-	5,991	-
Credit card payable	(13,234)	-	-
Accrued interest	12,638	-	-
Deferred revenue	(191,500)	(320,550)	(429,284)
Net cash provided by operating activities	177,288	204,453	36,624
Cash flows from investing activities:			
Purchases of property and equipment	-	-	(45,024)
Note receivable	(39,500)	-	-
Net cash used in investing activities:	(39,500)	-	(45,024)
Cash flows from financing activities:			
Proceeds from note	500,000	-	116,410
Note payments	(86,875)	(217,823)	(91,485)
Related party note payments	(47,544)	-	-
Net cash provided by (used in) financing activities	365,581	(217,823)	24,925
Net change in cash	503,369	(13,370)	16,525
Cash at the beginning of the year	214,667	228,037	211,512
Cash at the end of the year	\$ 718,035	\$ 214,667	\$ 228,037
Supplementary disclosures of cash flows			
Cash paid for interest	\$ 47,351	\$ 19,266	\$ 58,176
Cash paid for taxes	\$ -	\$ -	\$ -
Schedule of non-cash financing activities:			
Convertible notes converted to equity	\$ 140,000	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

*Certain amounts shown here do not correspond to the 2021 and 2020 financial statements and reflect adjustments made. Refer to Note 11.

FRENCHIES, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 (restated) and 2020 (restated)

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) Nature of Operations

Frenchies, LLC ("the Company"), was organized as a limited liability company under the laws of the State of Colorado in March 2015 for the principal purpose of conducting franchise sales, marketing and management. Frenchies, LLC is a franchisor of businesses offering hand and foot care salon services for men and women.

The Company has developed a proprietary system for establishing, operating, managing, and marketing the franchised businesses. The Company offers two types of franchise businesses single unit business franchises and area development franchises.

The company uses the accrual basis of accounting, and a 12-month accounting period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Reclassification

Certain items in the prior year have been reclassified to conform to the current year's presentation.

(e) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

(f) Property and Equipment

Property and equipment are stated at historical cost and are depreciated using the straight-line method over the estimated useful lives of related assets. The useful lives generally range 5-7 yrs.

(g) Long Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows

FRENCHIES, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 (restated) and 2020 (restated)

expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

(h) Intangible Assets

The Company has adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350, Intangibles - Goodwill and Other that requires that goodwill and intangible assets with indefinite lives (such as intellectual property) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable.

Intangible asset consists of software costs amortized over three years using the straight-line method.

(i) Revenue Recognition

The Company's revenues consist of fees from franchisees such as initial franchise fees, royalties, ad fund fees, and transfer fees. The franchise agreements offered under the Company's Uniform Franchise Disclosure Document have a term of ten years and may be extended for an additional ten-year term. The initial franchise fee is \$49,500 for a single unit. For franchisees buying multiple units under area development agreements, the initial franchise fee is \$39,500 for the second unit and \$29,500 per unit thereafter. Weekly royalty fees and ad fund fees are 5.5% and 2% respectively, of the franchisees' gross revenues.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources. Upon evaluation, the Company determined that the standard does not impact the Company's recognition of royalties and ad fund fees from locations operated by a franchisee, which are based on a percentage of monthly gross revenue and recognized at the time the underlying sales occur. The standard does have an impact on the process the Company uses to evaluate the recognition of initial fees.

In allocating the transaction price and recognizing the revenue associated with initial fees, the Company elected to adopt the practical expedient for private company franchisors outlined in “ASC 952-606, Franchisors—Revenue from Contracts with Customers”. The practical expedient allows franchisors that are not public entities to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping

FRENCHIES, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 (restated) and 2020 (restated)

- Bookkeeping, information technology, and advisory services, including setting up the franchisee’s records and advising the franchisee about income, real estate, and other taxes or about local regulations affecting the franchisee’s business
- Inspection, testing, and other quality control programs

Management has determined that the fair value of pre-opening services exceeds the initial fees received; as such, 100% of the initial fees for each location are allocated to the pre-opening services, and are recognized as revenue upon commencement of operations of the location.

Revenue from materials and services such as additional training is recognized upon provisioning/shipment and invoicing.

(j) Income Taxes

The entity is structured as a limited liability company (LLC) under the laws of the State of Colorado. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company’s financial statements.

The Company’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. The company was organized and began operations in 2015; accordingly, as of December 31, 2022, the following tax years are subject to examination:

Jurisdiction	Open Years for Filed Returns	Return Filed in 2022
Federal	2019 - 2021	2021
Colorado	2019 - 2021	2021

(k) Leases

The Company adopted ASC 842, “Leases” on January 1, 2022. The Company has two leases for office space and warehouse space that are classified as short-term leases under ASC 842. Please also see note (9) Operating Leases. The Company has made an accounting policy election not to recognize the right-of-use assets and lease liabilities that arise from short-term leases. Rent payments for leases with a term of 12 months or less at commencement will continue to be recognized in the statement of operations over the lease term.

(l) Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2022, 2021, and 2020 were \$272,629, \$226,209 and \$408,871, respectively. Advertising costs are included in marketing expenses on the statement of operations.

FRENCHIES, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 (restated) and 2020 (restated)

(m) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(n) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Employee Retention Credit Receivable

The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of up to \$10,000 for 2020 and 70% of up to \$7,000 for 2021 in qualified wages per quarter an eligible employer paid to employees. The credit was extended under Section 2301 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") as many businesses continued to be severely impacted by coronavirus (COVID-19). Company's management have determined it is eligible for the Employee Retention Credit and the Company's PEO has applied for Q2 and Q3 2020 and Q4 2021. The Company's PEO is also going to apply for Q1 2021. The ERC receivable is the total anticipated amount the Company will receive for all quarters applied for or to be applied for.

(3) Note Receivable

In July 2022 the Company sold a franchise for \$49,500. Proceeds from the transaction were cash of \$10,000 and a note receivable for \$39,500. The note receivable is noninterest bearing and was to have been paid within sixty days of the date the franchise agreement was signed. As the franchisee could not make the payment during the remainder of 2022, the terms of payment have been modified subsequently in 2023. The franchisee paid \$15,000 in January 2023 and the remaining balance is to be paid off in nine monthly installments of \$2,500 and one monthly installment of \$2,000.

(4) Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 45,440	\$ 45,440	\$ 45,440
Leasehold improvements	-	10,462	10,462
	<u>45,440</u>	<u>55,902</u>	<u>55,902</u>
Less accumulated depreciation	(33,983)	(30,832)	(20,698)
	<u>\$ 11,457</u>	<u>\$ 25,070</u>	<u>\$ 35,204</u>

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 was \$7,073, \$10,134, and \$8,864.

FRENCHIES, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 (restated) and 2020 (restated)

(5) Intangible Asset

Intangible asset consists of the following as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Software	\$ 44,915	\$ 44,915	\$ 44,915
	44,915	44,915	44,915
Less accumulated amortization	(33,686)	(18,715)	(3,743)
	<u>\$ 11,229</u>	<u>\$ 26,200</u>	<u>\$ 41,172</u>

Amortization expense for the years ended December 31, 2022, 2021 and 2020 was \$14,972, \$14,972 and \$3,743, respectively. Estimated amortization expense is \$11,228 for 2023.

(6) Deferred Commissions and Revenue

In accordance with its revenue policy, the Company has contract assets of deferred commissions and contract liabilities of deferred revenue. Deferred revenue for locations that have not commenced operations as of December 31, 2022 is \$658,000. As it is not known how many locations will commence operations in the next twelve-month period, the full amount of deferred revenue has been classified as non-current. Associated deferred commissions are \$476,647, also classified as non-current. Deferred revenue as of December 31, 2021 and 2020 was \$849,500 and \$1,170,050, respectively. As of December 31, 2021 and 2020, deferred commissions were \$644,295 and \$876,862, respectively.

(7) Notes Payable

Notes payable consists of the following as of December 31:

	<u>2022</u>
Unsecured and noninterest bearing promissory note due upon demand. It is not anticipated to be paid within twelve months so it has been classified as long term.	\$ 120,000
7.110% related party promissory note secured by assets of related party and personally guaranteed by members, with monthly payments of \$5,441, maturing in April 2027	260,724
3.75% EIDL SBA promissory note secured by assets of the Company, maturing in April 2052, requires monthly payments of \$2,575 beginning in October 2024. Accrued interest is \$12,638 as of December 31, 2022.	<u>500,000</u>
Total long-term debt	880,724
Less current installments	(48,303)
Long term debt, net of current installments	<u>\$ 832,421</u>

The balance of the first note above as of December 31, 2021 and 2020 was \$175,000. As of December 31, 2021 and 2020 in addition to the notes payable above, the Company also had the convertible notes discussed in Note 8 as well as another note payable to US Bank. The note had monthly payments of \$968, was secured by the assets of the Company and the members personal guaranty, bore interest of 6% per annum, and had a maturity date of June 10, 2024. The balance of the note as of December 31, 2021 and 2020 was \$31,876 and \$40,757, respectively. The note was paid in full during 2022.

FRENCHIES, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 (restated) and 2020 (restated)

Aggregate annual maturities of long term debt are as follows as of December 31, 2022.

2023	\$	48,303
2024		54,453
2025		66,315
2026		70,810
2027		56,641
Thereafter		631,554
		<u>\$ 928,076</u>

Maturities of long term debt include \$47,352 of accrued interest for the EIDL note assuming no payments are made until they are required beginning in October 2024.

(8) Members' Equity

During 2022 two convertible promissory notes totaling \$140,000 were converted to membership interests. The promissory notes converted automatically into units of membership interest in the Company at the maturity dates of the notes at a conversion price equal to the quotient of \$10,000,000 divided by the aggregate number of outstanding units the Company had as of the maturity dates, which was 1,000,000. Previous membership interests for other members decreased upon conversion by the converted membership interests of 1.4%.

(9) Operating Leases

The Company has two short term leases for office space and warehouse space. The monthly office space lease payments are \$1,937. The minimum monthly warehouse lease payments are \$425 a month plus a labor rate of \$25 per hour to receive, pack and ship. Labor rates are estimated to range from \$775 to \$1,575 a month. For 2023 the monthly flat warehouse rent increased to \$500 plus rate of \$28 per labor hour. The Company's rent expense was \$40,756, \$27,012 and \$29,558 for the years ended December 31, 2022, 2021, and 2020, respectively.

(10) Affiliated Businesses and Related Party Transactions

As a result of common ownership, the Company is affiliated with Frenchies Revolution, LLC. Frenchies Revolution owns and operates an existing nail studio, which opened on February 14, 2014, similar to the franchises offered by the Company. Frenchies Revolution, LLC pays royalty fees, ad fund fees and technology fees to the Company. Royalty fees, ad fund fees and technology fees received from the affiliate for the year ended December 31, 2022 were \$28,142, \$10,982 and \$5,268, respectively. Royalty fees, ad fund fees and technology fees received from the affiliate for the year ended December 31, 2021 were \$26,201, \$9,528 and \$5,268, respectively. The affiliate paid royalty fees, ad fund fees and technology fees of \$21,547, \$7,835 and \$4,788, respectively during 2020.

The Company's principals also own a company called Double Lane Enterprises, LLC that owns and operates fitness centers. The Company received a loan from Double Lane Enterprises to help with operating costs. Please see Note 7 Notes Payable related promissory note. Double Lane Enterprises received a note from a lender and transferred the proceeds to the Company. The Company makes the majority of the note payments directly to the lender. As of December 31, 2021 and 2020, the related party loan balance was \$308,268 and \$399,400, respectively. During 2022 and 2020, the Company paid Double Lane Enterprises \$12,161 and \$21,517 respectively, for portions of payments and interest paid on behalf of the Company.

FRENCHIES, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 (restated) and 2020 (restated)

(11) Restatement – Correction of Errors

The financial statements for the years ended December 31, 2021 and 2020 have been restated to correct certain errors. During 2022 management discovered the initial fees and commissions for some of the franchise sales included in the Company's schedule of deferred revenue and commissions were incorrect and did not agree to amounts per franchise agreements and invoices. Management also discovered several commissions were missing from the schedule. The results of the restatements for 2020 are a decrease in deferred revenue of \$160,950 and increases in deferred commissions and retained earnings of \$445,162 and \$606,112, respectively. On the statement of operations franchise fees and general and administrative expenses decreased by \$881,716 and \$697,490, respectively resulting in a decrease of 2020 net income of \$184,226. The results of the restatements for 2021 are a decrease in deferred revenue of \$233,380 and increases in deferred commissions and retained earnings of \$337,445 and \$570,825, respectively. Franchise fees and general and administrative expenses increased by \$72,430 and \$107,717, respectively and 2021 net income decreased by \$35,287 on the statement of operations.

(12) Commitments and Contingencies

(a) Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(13) Covid-19 Contingency

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus ("COVID-19") as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2020, 2021 and 2022 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company's operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company's future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company's customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company's future financial condition or results of operations is uncertain.

(14) Date of Management's Review

Management has reviewed and evaluated subsequent events through May 5, 2023, the date on which the financial statements were issued.

EXHIBIT G
LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF CURRENT FRANCHISEES
As of December 31, 2024

Franchisees with Outlets Open

<u>FRANCHISEE</u>	<u>ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>	<u>PHONE NUMBER</u>
<u>Feel Good Beauty, Inc.</u>	<u>1583 Spinnaker Drive, #105</u>	<u>Ventura</u>	<u>CA</u>	<u>93001</u>	<u>(805) 200-3883</u>
<u>Den Fren CS, LLC</u>	<u>8776 N Union Blvd</u>	<u>Colorado Springs</u>	<u>CO</u>	<u>80920</u>	<u>(303) 915-7388</u>
<u>NOCO Clean Nails, LLC</u>	<u>2720 Council Tree Ave, Suite 100</u>	<u>Fort Collins</u>	<u>CO</u>	<u>80525</u>	<u>(970) 286-2175</u>
<u>Den Fren HR, LLC</u>	<u>2670 E County Line Road, Suite G</u>	<u>Highlands Ranch</u>	<u>CO</u>	<u>80126</u>	<u>(505) 620-7606</u>
<u>Den Fren LT, LLC</u>	<u>10008 Commons Street, #108</u>	<u>Lone Tree</u>	<u>CO</u>	<u>80124</u>	<u>(505) 550-8062</u>
<u>Shearer Holdings, LLC⁺</u>	<u>7345 E 128th Ave</u>	<u>Thornton</u>	<u>CO</u>	<u>80602</u>	<u>(303) 550-8283</u>
<u>Party of Seven Holdings, LLC</u>	<u>317 W Palm Ave, #105A</u>	<u>Tampa</u>	<u>FL</u>	<u>33602</u>	<u>(347) 782-5355</u>
<u>RVEP Corporation</u>	<u>2620 Old Winder Highway</u>	<u>Braselton</u>	<u>GA</u>	<u>30517</u>	<u>(470) 878-2700</u>
<u>Forever Strong, LLC⁺</u>	<u>5350 United Dr, Suite 103</u>	<u>Smyrna</u>	<u>GA</u>	<u>30082</u>	<u>(404) 946-8639</u>
<u>t-Winning, LLC</u>	<u>10730 Holyoke Avenue, #164</u>	<u>Lakeville</u>	<u>MN</u>	<u>55044</u>	<u>(952) 683-9393</u>

<u>FRANCHISEE</u>	<u>ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>	<u>PHONE NUMBER</u>
<u>RPM Enterprises</u>	<u>7774 Hargis Parkway, #116</u>	<u>Woodbury</u>	<u>MN</u>	<u>55129</u>	<u>(651) 788-7002</u>
<u>Rodriguez Network Corp⁺</u>	<u>3027 State Highway K</u>	<u>O'Fallon</u>	<u>MO</u>	<u>63368</u>	<u>(636) 294-9600</u>
<u>Palmer Family Enterprises, LLC⁺</u>	<u>2810 South Blvd, Suite E</u>	<u>Charlotte</u>	<u>NC</u>	<u>28209</u>	<u>(704) 499-5352</u>
<u>McLure Enterprises, Inc.</u>	<u>3473 Burke Mill Rd</u>	<u>Winston-Salem</u>	<u>NC</u>	<u>27103</u>	<u>(336) 817-9144</u>
<u>Dillinger Capital 2, LLC</u>	<u>8008 Washington Village Drive, #13</u>	<u>Washington Township</u>	<u>OH</u>	<u>45458</u>	<u>(937) 620-2955</u>
<u>MAIAN, LLC</u>	<u>3925 SW Rose Biggi Ave</u>	<u>Beaverton</u>	<u>OR</u>	<u>97005</u>	<u>(971) 678-6907</u>
<u>Dillinger Capital, Inc.</u>	<u>1720 Washington Road</u>	<u>Pittsburgh</u>	<u>PA</u>	<u>15241</u>	<u>(213) 841-5071</u>
<u>Cool Springs Beauty Co., LLC</u>	<u>790 Jordan Rd, Suite 112</u>	<u>Franklin</u>	<u>TN</u>	<u>37067</u>	<u>(734) 558-6791</u>
<u>Life Endeavors, Inc.</u>	<u>3100 South Ranch Road 620, Ste 400</u>	<u>Lakeway</u>	<u>TX</u>	<u>78734</u>	<u>(512) 431-5943</u>
<u>Euphoria Enterprise LLC</u>	<u>2180 TX-46, Suite 102</u>	<u>New Braunfels</u>	<u>TX</u>	<u>78132</u>	<u>(956) 862-2080</u>
<u>Evaleon USA, LLC</u>	<u>523 Med Court, Suite 102</u>	<u>San Antonio</u>	<u>TX</u>	<u>78258</u>	<u>(210) 540-0079</u>

<u>FRANCHISEE</u>	<u>ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>	<u>PHONE NUMBER</u>
<u>CMMD Management, LLC</u>	<u>1560 E Southlake Blvd, Suite 110</u>	<u>Southlake</u>	<u>TX</u>	<u>76092</u>	<u>(702) 353- 7470</u>

*These franchisees are also multi-unit developers.

Franchisees with Franchise Agreements Signed but Outlet Not Opened

<u>FRANCHISEE</u>	<u>CITY</u>	<u>STATE</u>	<u>PHONE NUMBER</u>
<u>Feel Good Beauty, Inc.</u>	<u>Santa Barbara</u>	<u>CA</u>	<u>(805) 804-7813</u>
<u>Feel Good Beauty, Inc.</u>	<u>Santa Barbara</u>	<u>CA</u>	<u>(805) 804-7813</u>
<u>NOCO Clean Nails, LLC</u>	<u>Broomfield</u>	<u>CO</u>	<u>(720) 261-1980</u>
<u>Shearer Holdings, LLC</u>	<u>Erie</u>	<u>CO</u>	<u>(320) 232-9006</u>
<u>NOCO Clean Nails, LLC</u>	<u>Leyden</u>	<u>CO</u>	<u>(720) 261-1980</u>
<u>Forever Strong, LLC</u>	<u>Buckhead</u>	<u>GA</u>	<u>(404) 644-5242</u>
<u>RVEP Corporation</u>	<u>Gainesville</u>	<u>GA</u>	<u>(678) 617-8058</u>
<u>Forever Strong, LLC</u>	<u>Kennesaw</u>	<u>GA</u>	<u>(404) 644-5242</u>
<u>Rodriguez Network Corp</u>	<u>Chesterfield</u>	<u>MO</u>	<u>(314) 604-4806</u>
<u>Rodriguez Network Corp</u>	<u>St. Louis</u>	<u>MO</u>	<u>(314) 604-4806</u>
<u>Palmer Family Enterprises, LLC</u>	<u>Charlotte</u>	<u>NC</u>	<u>(704) 953-6990</u>
<u>Palmer Family Enterprises, LLC</u>	<u>Charlotte</u>	<u>NC</u>	<u>(704) 953-6990</u>
<u>Palmer Family Enterprises, LLC</u>	<u>Harrisburg</u>	<u>NC</u>	<u>(704) 953-6990</u>
<u>Palmer Family Enterprises, LLC</u>	<u>Huntersville</u>	<u>NC</u>	<u>(704) 953-6990</u>

LIST OF FORMER FRANCHISEES

As of December 31, 2024

The following are franchisees who have been terminated, canceled, not renewed, or have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the date of issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

<u>FRANCHISEE</u>	<u>LOCATION</u>	<u>PHONE NUMBER</u>	<u>REASON FOR EXITING</u>
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FRENCHIES, LLC

FRANCHISE DISCLOSURE DOCUMENT

<u>Brooke Hansen</u>	<u>Fort Collins, CO</u>	<u>(970) 286-2175</u>	<u>Transferred</u>
<u>Georgia Dogwoods, Inc. +</u>	<u>Athens, GA</u>	<u>(706) 255-9842</u>	<u>Transferred</u>
<u>M & T Assets, Inc.</u>	<u>Riverton, UT</u>	<u>(801) 898-7687</u>	<u>Terminated</u>
<u>Janet Paulette Schimek</u>	<u>Southlake, TX</u>	<u>(702) 353-7470</u>	<u>Transferred</u>

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

EXHIBIT H
LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

<u>STATE</u>	<u>STATE ADMINISTRATOR</u>
<u>CALIFORNIA</u>	<u>Department of Financial Protection and Innovation</u> <u>320 West 4th Street, Suite 750</u> <u>Los Angeles, California 90013</u> <u>(213) 576-7505</u> <u>(866) 275-2677</u> <u>www.dfpi.ca.gov</u> <u>Ask.DFPI@dfpi.ca.gov</u>
<u>HAWAII</u>	<u>Commissioner of Securities of the State of Hawaii</u> <u>Department of Commerce and Consumer Affairs</u> <u>Business Registration Division</u> <u>Securities Compliance Branch</u> <u>335 Merchant Street, Room 203</u> <u>Honolulu, Hawaii 96813</u> <u>(808) 586-2722</u>
<u>ILLINOIS</u>	<u>Franchise Bureau</u> <u>Office of the Attorney General</u> <u>500 South Second Street</u> <u>Springfield, Illinois 62706</u> <u>(217) 782-4465</u>
<u>INDIANA</u>	<u>Securities Commissioner</u> <u>Indiana Securities Division</u> <u>302 West Washington St., Room E-111</u> <u>Indianapolis, Indiana 46204</u> <u>(317) 232-6681</u>
<u>MARYLAND</u>	<u>Office of the Attorney General</u> <u>Securities Division</u> <u>200 St. Paul Place</u> <u>Baltimore, Maryland 21202-2021</u> <u>(410) 576-6360</u>
<u>MICHIGAN</u>	<u>Department of Attorney General</u> <u>Consumer Protection Division</u> <u>Franchising Unit</u> <u>525 West Ottawa Street</u> <u>G. Mennen Williams Building, 1st Floor</u> <u>Lansing, Michigan 48913</u> <u>(517) 373-1837</u>
<u>MINNESOTA</u>	<u>Minnesota Department of Commerce</u> <u>85 Seventh Place East, Suite 280</u> <u>St. Paul, Minnesota 55101</u> <u>(651) 539-1600</u>
<u>NEW YORK</u>	<u>New York State Department of Law</u> <u>Investor Protection Bureau</u> <u>28 Liberty St. 21st Fl</u> <u>New York, New York 10005</u> <u>(212) 416-8222</u>
<u>NORTH DAKOTA</u>	<u>North Dakota Securities Department</u> <u>600 East Blvd. Avenue</u> <u>State Capitol, Fifth Floor Dept. 414</u> <u>Bismarck, North Dakota 58505</u>

<u>STATE</u>	<u>STATE ADMINISTRATOR</u>
	<u>(701) 328-4712</u>
<u>RHODE ISLAND</u>	<u>Securities Division</u> <u>Department of Business Regulation</u> <u>1511 Pontiac Avenue, Building 69-1</u> <u>Cranston, Rhode Island 02920</u> <u>(401) 462-9585</u>
<u>SOUTH DAKOTA</u>	<u>Division of Insurance</u> <u>Securities Regulation</u> <u>124 S. Euclid, 2nd Floor</u> <u>Pierre SD 57501</u> <u>(605) 773-3563</u>
<u>TEXAS</u>	<u>Statutory Document Section</u> <u>Secretary of State</u> <u>P.O. Box 12887</u> <u>Austin, Texas 78711</u>
<u>VIRGINIA</u>	<u>State Corporation Commission</u> <u>Division of Securities and Retail Franchising</u> <u>1300 East Main Street, 9th Floor</u> <u>Richmond, Virginia 23219</u> <u>(804) 371-9051</u>
<u>WASHINGTON</u>	<u>Washington Department of Financial Institutions</u> <u>Securities Division</u> <u>PO Box 41200</u> <u>Olympia, WA 98507</u> <u>(360) 902-8760</u>
<u>WISCONSIN</u>	<u>Securities and Franchise Registration</u> <u>Wisconsin Securities Commission</u> <u>345 West Washington Street, 4th Floor</u> <u>Madison, Wisconsin 53703</u> <u>(608) 266-3364</u>

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

<u>STATE</u>	<u>AGENT FOR SERVICE OF PROCESS</u>
<u>CALIFORNIA</u>	<u>Commissioner</u> <u>Department of Financial Protection and Innovation</u> <u>320 West 4th Street, Suite 750</u> <u>Los Angeles, California 90013</u> <u>(866) 275-2677</u> <u>www.dfpi.ca.gov</u> <u>Ask.DFPI@dfpi.ca.gov</u>
<u>ILLINOIS</u>	<u>Illinois Attorney General</u> <u>500 South Second Street</u> <u>Springfield, Illinois 62706</u>
<u>INDIANA</u>	<u>Indiana Secretary of State</u> <u>302 West Washington Street, Room E-111</u> <u>Indianapolis, Indiana 46204</u>
<u>MICHIGAN</u>	<u>Michigan Department of Labor & Economic Growth</u> <u>Commercial Services & Corporations Bureau</u> <u>611 West Ottawa Street</u> <u>Lansing, Michigan 48909</u>
<u>MARYLAND</u>	<u>Maryland Securities Commissioner</u> <u>Securities Division</u> <u>200 St. Paul Place</u> <u>Baltimore, MD 21202-2020</u> <u>(410) 576-6360</u>
<u>MINNESOTA</u>	<u>Minnesota Commissioner of Commerce</u> <u>85 Seventh Place East, Suite 280</u> <u>St. Paul, Minnesota 55101</u> <u>(651) 539-1600</u>
<u>NEW YORK</u>	<u>Secretary of State of the State of New York</u> <u>One Commerce Plaza</u> <u>99 Washington Avenue</u> <u>Albany, New York 11231</u>
<u>RHODE ISLAND</u>	<u>Director of Business Regulation</u> <u>Division of Banking and Securities</u> <u>233 Richmond Street, Suite 232</u> <u>Providence, RI 02903-4232</u> <u>(401) 222-3048</u>
<u>TEXAS</u>	<u>Anna Phillips</u> <u>7300 Vanguard Court</u> <u>Colleyville, Texas 76034</u>
<u>VIRGINIA</u>	<u>Clerk, State Corporation Commission</u> <u>Division of Securities and Retail Franchising</u> <u>1300 East Main Street, 1st Floor</u> <u>Richmond, Virginia 23219</u>

<u>STATE</u>	<u>AGENT FOR SERVICE OF PROCESS</u>
<u>WASHINGTON</u>	<u>Washington Dept. of Financial Institutions</u> <u>Securities Division</u> <u>150 Israel Rd SW</u> <u>Tumwater WA 98501</u>
<u>WISCONSIN</u>	<u>Wisconsin Commissioner of Securities</u> <u>345 W. Washington Avenue, 4th Floor</u> <u>Madison, WI 53703</u>

EXHIBIT I

STATE EFFECTIVE DATES ~~AND RECEIPT PAGES~~

~~STATE EFFECTIVE DATES~~

The following states have franchise laws that require that ~~this~~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 ~~Disclosure Document~~document is ~~either~~effective and may be used in the following states, where the document is filed, registered, ~~on file~~ or exempt from registration ~~in the following states having franchise registration and disclosure laws, with the following effective dates:-, as of the Effective Date stated below:~~

STATE <u>State</u>	EFFECTIVE DATE <u>Effective Date</u>
California	November 22, 2024 <u>Pending Registration</u>
Hawaii	Pending Registration
Illinois	November 4, 2024 <u>Pending Registration</u>
Indiana	November 4, 2024 <u>Pending Registration</u>
Maryland	Pending Registration
Michigan	May 23, 2024 <u>Pending Registration</u>
Minnesota	Pending Registration
New York	Pending Registration
North Dakota	November 4, 2024 <u>Pending Registration</u>
Rhode Island <u>South Dakota</u>	November 12, 2024 <u>Pending Registration</u>
South Dakota <u>Rhode Island</u>	April 25, 2024 <u>Pending Registration</u>
Virginia	November 4, 2024 <u>Pending Registration</u>
Washington	Pending Registration
Wisconsin	November 4, 2024 <u>Pending Registration</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J

RECEIPTS

~~Receipt~~**RECEIPT**

This Disclosure Document summarizes certain provisions of the ~~Franchise Agreement~~franchise agreement and other information in plain language. Read this ~~Disclosure Document~~disclosure document and all agreements carefully.

If ~~FRENCHIES~~Frenchies, LLC offers you a franchise, it must provide this ~~Disclosure Document~~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. ~~—, or sooner if required by applicable state law.~~

~~New York law requires us to provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign. Applicable state laws in (a) a franchise or other agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. (b) Michigan requires that we~~ us to provide you with this ~~Disclosure Document~~disclosure document at least 10 business 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 and (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, ~~us~~the franchisor or ~~one of our affiliates~~an affiliate in connection with the proposed franchise sale.

If ~~FRENCHIES~~Frenchies, LLC does not deliver this ~~Disclosure Document~~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.~~D.C. 20580; and ~~the appropriate~~any applicable state agency ~~identified on (as listed in Exhibit A.~~

The franchisor is ~~FRENCHIES~~Frenchies, LLC, a Colorado limited liability company with an address of 550 Reserve Street, Suite 380, Southlake, Texas 76092. Its telephone number is 720.526.2935.

The name, principal business address, and telephone number of each franchise seller offering the franchise is: H to this disclosure document). ~~Frenchies~~Meg Roberts and Scot Cannon, Frenchies, LLC, 550 Reserve Street, Suite 380, Southlake, Texas 76092, (720) 526-2935; and

~~ISSUANCE DATE:~~ April 22, 2024, as amended November 4, 2024

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

I have received a Disclosure Document with an Issuance Date of ~~April 22, 2024, as amended November 4, 2024,~~ that included the following Exhibits:

The franchisor is Frenchies, LLC, 550 Reserve St. Suite 380, Southlake, TX, 76092; (720) 526-2935.

Issuance Date: April 2, 2025

The franchise seller for this offering is:

EXHIBIT A- <u>Name</u>	LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS- <u>Principal Business Address</u>	Telephone Number
EXHIBIT B- <u>Meg Roberts</u>	FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS- <u>550 Reserve Street, Suite 380, Southlake, TX, 76092</u>	720-526-2935

EXHIBIT C: Scot Cannon	AREA DEVELOPMENT AGREEMENT, GUARANTY, AND STATE SPECIFIC ADDENDA—550 Reserve Street, Suite 380, Southlake, TX, 76092	720-526-2935
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- ~~EXHIBIT D: TABLE OF CONTENTS OF OPERATIONS MANUAL~~
- ~~EXHIBIT E: LIST OF FRANCHISEES AND FRANCHISEES THAT HAVE LEFT THE SYSTEM~~
- ~~EXHIBIT F: FINANCIAL STATEMENTS~~
- ~~EXHIBIT G: STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT~~
- ~~EXHIBIT H: FRANCHISEE QUESTIONNAIRE~~
- ~~EXHIBIT I: FINANCING DOCUMENTS~~
- ~~EXHIBIT J: STATE COVER PAGE AND RECEIPT PAGES~~

~~Please indicate the date on which you~~ received ~~this~~ Disclosure Document, with an issuance date of April 2, 2025. State registration effective dates are listed on the State Registrations page contained in the Disclosure Document. The Disclosure Document included the following Exhibits:

- Exhibit A – State Specific Appendix
- Exhibit B – Franchise Agreement and ~~then sign~~ all Attachments
- Exhibit C – Development Agreement
- Exhibit D – General Release (Sample Form Only)
- Exhibit E – Table of Contents of Confidential Operations Manual
- Exhibit F – Financial Statements
- Exhibit G – List of Current ~~and print your name below, indicate the date you signed this receipt,~~ Former Franchisees
- Exhibit H – List of State Administrators ~~and promptly return one completed copy of the~~ Agents for Service of Process
- Exhibit I – State Effective Dates
- Exhibit J – Receipts

~~Dated:~~ _____ ~~Dated:~~ _____

~~Printed Name~~ _____ ~~Printed name~~ _____

~~Signed, individually and as an officer of~~ _____ ~~Signed, individually and as an officer of~~ _____
 _____ (a Corporation) _____ (a Corporation)
 _____ (a Partnership) _____ (a Partnership)
 _____ (a Limited Liability Company) _____ (a Limited Liability Company)

[KEEP THIS PAGE FOR YOUR RECORDS]

Receipt to FRENCHIES, LLC at 550 Reserve Street, Suite 380, Southlake, Texas 76092. The second copy of the Receipt is for your records.

PROSPECTIVE FRANCHISEE:

DISCLOSURE DOCUMENT RECEIVED:

DATE:

SIGNED:

PRINTED NAME:

RECEIPT SIGNED:

DATE:

COMPANY:

TITLE:

ADDRESS:

RECEIPT

This Disclosure Document summarizes certain provisions of the ~~Franchise Agreement~~franchise agreement, and other information in plain language. Read this ~~Disclosure Document~~disclosure document and all agreements carefully.

If ~~FRENCHIES~~Frenchies, LLC offers you a franchise, it must provide this ~~Disclosure Document~~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~~—, or sooner if required by applicable state law.~~

~~New York law~~Applicable state laws in (a) Michigan requires us to provide you ~~with this Disclosure Document~~the disclosure document at least 10 business 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 and (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or ~~ten~~ business days before you sign a franchise or other agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. ~~Michigan requires that we provide you with this Disclosure Document ten~~10 business days before you sign a binding agreement with, or make a payment to, ~~us~~the franchisor or one of our affiliatesan affiliate in connection with the proposed franchise sale.

If ~~FRENCHIES~~Frenchies, LLC does not deliver this ~~Disclosure Document~~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.~~D.C. 20580; and ~~the appropriate~~any applicable state agency (as listed in Exhibit H to this disclosure document). Frenchies, LLC authorizes the respective state agencies identified on Exhibit A-H to receive service of process for it in the particular state.

The franchisor is ~~FRENCHIES, LLC, a Colorado limited liability company with an address of Frenchies, 550 Reserve Street, St.~~ Suite 380, Southlake, ~~Texas~~TX, 76092. ~~Its telephone number is: (720) 526-2935.~~

Issuance Date: April 2, 2025

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

~~Meg Roberts and Scot Cannon, Frenchies, LLC, 550 Reserve Street, Suite 380, Southlake, Texas 76092, (720) 526-2935; _____ and _____~~

~~ISSUANCE DATE: April 22, 2024, as amended November 4, 2024~~

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

~~I have received a Disclosure Document with an Issuance Date of April 22, 2024, as amended November 4, 2024, that included the following Exhibits:~~

EXHIBIT A: Name	LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS <u>Principal Business Address</u>	Telephone Number
EXHIBIT B: Meg Roberts	FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS <u>550 Reserve Street, Suite 380, Southlake, Texas 76092</u>	720-526-2935
EXHIBIT C: Scot Cannon	AREA DEVELOPMENT AGREEMENT, GUARANTY, AND STATE SPECIFIC ADDENDA <u>550 Reserve Street, Suite 380, Southlake, TX, 76092</u>	720-526-2935

~~EXHIBIT D: TABLE OF CONTENTS OF OPERATIONS MANUAL~~

- ~~EXHIBIT E: LIST OF FRANCHISEES AND FRANCHISEES THAT HAVE LEFT THE SYSTEM~~
- ~~EXHIBIT F: FINANCIAL STATEMENTS~~
- ~~EXHIBIT G: STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT~~
- ~~EXHIBIT H: FRANCHISEE QUESTIONNAIRE~~
- ~~EXHIBIT I: FINANCING DOCUMENTS~~
- ~~EXHIBIT J: STATE COVER PAGE AND RECEIPT PAGES~~

~~Please indicate the date on which you~~I ~~received this~~a Disclosure Document, ~~with an issuance date of April 2, 2025. State registration effective dates are listed on the State Registrations page contained in the Disclosure Document. The Disclosure Document included the following Exhibits:~~

- Exhibit A – State Specific Appendix
- Exhibit B – Franchise Agreement and then sign all Attachments
- Exhibit C – Development Agreement
- Exhibit D – General Release (Sample Form Only)
- Exhibit E – Table of Contents of Confidential Operations Manual
- Exhibit F – Financial Statements
- Exhibit G – List of Current and print your Former Franchisees
- Exhibit H – List of State Administrators and Agents for Service of Process
- Exhibit I – State Effective Dates
- Exhibit J – Receipts

~~Dated:~~ _____ ~~Dated:~~ _____

~~Printed Name~~ _____ ~~Printed name~~below, indicate the date you signed this receipt, and promptly

~~Signed individually and as an officer of~~ _____ ~~Signed, individually and as an officer of~~
 _____ (a Corporation) _____ (a Corporation)
 _____ (a Partnership) _____ (a Partnership)
 _____ (a Limited Liability Company) _____ (a Limited Liability Company)

Please return one~~this~~ completed ~~copy of the Receipt form to FRENCHIES~~Frenchies, LLC at 550 Reserve Street, St. Suite 380, Southlake, Texas TX, 76092. The second copy of the Receipt is for your records.

~~PROSPECTIVE FRANCHISEE:~~

~~DISCLOSURE DOCUMENT RECEIVED:~~

~~DATE:~~ _____ ~~SIGNED:~~ _____

~~RECEIPT SIGNED:~~ _____ ~~PRINTED NAME:~~ _____

~~DATE:~~ _____ ~~COMPANY:~~ _____

~~TITLE:~~ _____

~~ADDRESS:~~ _____

