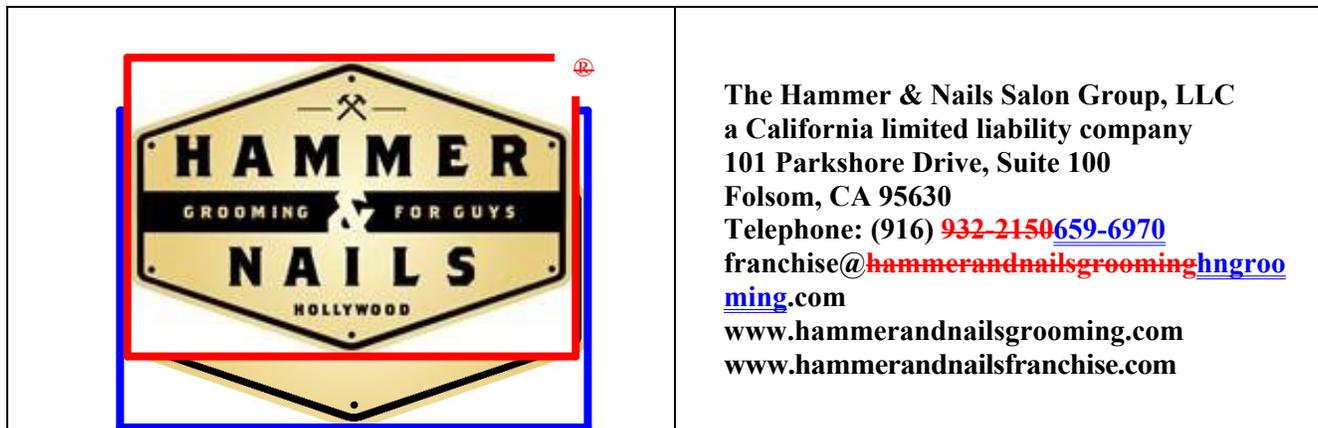


FRANCHISE DISCLOSURE DOCUMENT



The franchise described in this disclosure document is for the establishment of a franchised retail men's grooming business that specializes in barbering, straight razor shaves, and hand and foot grooming, along with other grooming services, primarily for men under the name "Hammer & Nails®" at a specific location (referred to as a "Location" or "Location Franchise").

The total Investment necessary to begin operation of a Hammer & Nails® Location ranges from ~~\$425,205~~[\\$650,300](#) to ~~\$686,200~~[\\$918,700](#). This includes the Initial Franchise Fee of ~~\$51,450~~[\\$49,950](#) that must be paid to us or our affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats contact Aaron Meyers, Chief Executive Officer, The Hammer & Nails Salon Group, LLC, 101 Parkshore Drive, Suite 100, Folsom CA 95630, (916) ~~932-2150~~[659-6970](tel:9166596970).

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information on franchising. Call your state agency or visit your public library for other sources of information on franchising. There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: ~~April 20~~March 18, 20232024

Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution.** Out-of-state dispute resolution. The Franchise Agreement and Area Representative Development Agreement ~~requires~~require you to resolve disputes with the franchise by mediation, arbitration, and/or litigation only in California. Out-of-state mediation, arbitration, and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, and/or litigate with the franchise in California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.”
3. **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.
4. **Minimum Advertising Requirements.** You may be required to make minimum advertising payments regardless of your sales levels. Your inability to make the payments may result in termination of your Franchise and loss of your investment.
5. **Unopened Franchises.** The franchisor has signed a significant 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.

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EXHIBITS

- A. Franchise Agreement
- B. Table of Contents of Operations Manual for Location Franchises
- C. List of State Administrators/Agents for Service of Process
- D. Financial Statements
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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Hammer & Nails Salon Group, LLC, a California limited liability company (“Hammer & Nails®”), is offering prospective franchise owners the opportunity to own and operate a Hammer & Nails® location franchise in accordance with the terms described in this Disclosure Document. To simplify the language in this Disclosure Document, the terms, “We”, “Us”, “the Company”, or “Hammer & Nails®” mean The Hammer & Nails Salon Group, LLC, the franchisor (but not the Company’s officers, directors, agents or employees). “You” or “Franchisee(s)” mean the person(s) who buys a franchise from us. The term “Location(s)” or “Location Franchise(s)” mean one or several Hammer & Nails® location franchises or franchise units. The owner(s) of a Location Franchise is referred to as a “Location Franchisee(s)” or “Franchisee(s)”. If you are a corporation, partnership or other entity, our Franchise Agreement (“FA”) will also apply to your owners, officers and directors (“Owners”). Unless otherwise indicated, the term “Franchised Business” means a Hammer & Nails® Location Franchise.

The Franchisor, and any Parents, Predecessor and Affiliates

We are a California limited liability company, created on February 11, 2015. We have no predecessors or parents.

Our principal business and mailing address is 101 Parkshore Drive, Suite 100, Folsom CA 95630. Our telephone number is (916) 932-2150. We do not maintain a sales office at any location other than our principal places of business. We operate under our corporate name, The Hammer & Nails Salon Group, LLC. We do not do business or intend to do business under any other names. Our agent for service of process is disclosed in Exhibit C to this Disclosure Document.

Our Business

Hammer & Nails® Location Franchises have been developed to offer the only complete men’s grooming experience. Our services include barbering, straight razor shaves, manicures, pedicures, and waxing. Licensed professionals perform our unique services in an environment that is second to none. The Hammer & Nails® philosophy is centered on providing quality grooming services focused primarily on men in a comfortable environment. Our shops are full-service businessbusinesses that operates year-round and is typically located in shopping malls, strip centers, or free-standing structures. All shops offer beverages containing alcohol as well as other non-alcohol drinks. Shops also sell retail products such as apparel, nail, and hair care products. We are a brand focused on innovation, and as such, we may, in the future, authorize Franchisees to offer additional services and products such as shoe-shining, cigars, and other grooming and salon-related services or products approved by us.

We grant franchises for the right to operate under the name “Hammer & Nails®”, and other marks designated by the Company from time to time (collectively referred to as the “Marks”). We refer to our proprietary and confidential system for the operation of Hammer & Nails® Location Franchises, together with the Marks, as “the System.” You must offer all products and services that we may specify and may not offer any products or services we have not authorized. We are not currently engaged in any other business.

We currently offer and sell two types of franchises: 1) Hammer & Nails® single location franchises, referred to as Locations or Location Franchises or businesses; and 2) Hammer & Nails® Area Representative businesses, referred to as “Area Representative Businesses”. We began offering Location franchises in May 2015 and Area Representative Businesses in January 2016. Area Representative Businesses are offered under a separate Disclosure Document (“AR FDD”). This Disclosure Document is for our Location franchise concept only, and does not contain information about the costs of opening or operating an Area Representative franchise. We do not

currently own or operate any Location or Area Representative Businesses which are subject to Franchise or Area Representative Agreements

Location Franchises

We offer qualified applicants Hammer & Nails® Location Franchises. The Franchise Agreement (Exhibit A to this Disclosure Document) gives you the right to establish and operate one Hammer & Nails® Location Franchise at a specified location within a Protected Area. (See Item 12). Hammer & Nails ~~offers two formats of Location Franchises, the Classic Hammer & Nails Location, and the Premium Hammer & Nails Location. Our Premium Hammer & Nails location is larger in size,~~ locations are approximately ~~1,800~~1,700 to ~~2,500~~2,200+/- square feet, and offers guests and members a lounge area with a built in bar, with TV's and other additional furniture fixtures and equipment. ~~The Classic Hammer & Nails Location Franchise is on average 1,650 to 1,800 square feet and does not include a built in bar in the plan set.~~ All Hammer & Nails Location Franchises, ~~regardless of format,~~ will offer the entire menu of products and services to ensure the consumer will still receive the full Hammer & Nails experience regardless of the location they choose to visit. ~~Within our Premium locations we~~Franchisees may have the option of adding in a Hammer & Nails branded Cigar Lounge. ~~The Franchise Fee remains the same regardless of which format you choose to open and operate,~~ upon our approval.

Hammer & Nails® Location Franchises operate in compliance with our business operating system (the "System") under the trade name and service mark "Hammer & Nails®" and the other trade names, service marks, trademarks, logos, emblems and other indicia of origin that we designate in writing for use by Hammer & Nails® Location Franchises operating under the System (collectively, the "Marks").

The System includes our methods and procedures for the establishment, management and operation of Hammer & Nails® Location Franchises, including our confidential information, our manuals, the Marks, and other business standards, specifications and policies. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, and color scheme; furnishings; unique services; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which we may change, improve, further develop or otherwise modify from time to time.

The Franchise Agreement requires you to designate a "Principal Owner." Your Principal Owner is the main individual responsible for your business. Your Principal Owner must meet our qualifications and must be approved by us. Your current and future Owners, including your Principal Owner, must sign a Guaranty and Assumption Agreement ("Guaranty"), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. (See Item 15).

Under our Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate one Hammer & Nails® Location franchise specializing in barbering, straight razor shaves and hand and foot grooming services primarily for men. We may periodically make changes to the systems, service menu, standards, facility, signage, equipment and fixture requirements for your Location Franchise. All Hammer & Nails® Location Franchises must be developed and operated in accordance with our specifications, standards, policies and procedures, which will be communicated to you via our confidential operations manual for Location Franchises and related guidelines ("together referred to as Manuals") or otherwise in writing. Hammer & Nails® Location Franchises can range anywhere from ~~1,300~~1,700 to ~~2,500~~2,200 square feet, but this may vary depending on site availability. Special approval will be required for shops outside of the listed square footage.

Development Program Relating to Unit Franchises

We offer and grant the right (the “Development Rights”) to develop and operate multiple Hammer & Nails Unit Franchises within a certain defined geographic area (a “Development Area”) in keeping with a “Development Schedule.” We call this opportunity the “Area Development Program.” We use our form of Area Development Agreement (Exhibit H), and require those seeking to participate in it to sign three Franchise Agreements at the time they chose to participate in the Development Program. Under the Area Development Agreement, we defer the dates the franchisee has to open the Hammer & Nails Unit Franchise for the second and third Hammer & Nails Unit Franchise under their Development Schedule. We also agree not to place another Hammer & Nails Unit Franchise in the Development Area during the Development Schedule, provided they are in compliance with the Development Addendum. The current form of Area Development Agreement is attached as an exhibit to the FDD for Unit Franchises.

Market and Competition

The male grooming industry, while established, is still changing and evolving. The male nail care business is a newly emerging industry receiving rapid growth in the United States., The competition for Location Franchises includes other businesses offering similar products and services to individuals. These competitors may include local and national nail care and hair salons and barbershops operated by national chains, local chains and independent operators, and to some extent day spas, resorts, beauty salons and other grooming related businesses.

Laws and Regulations

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of a Location Franchise. For example, state licensing and certification requirements may apply to persons who perform services for or at a Location franchise. In all cases, you must also comply with laws that apply generally to all businesses. You should investigate these laws, and consult with a legal advisor about whether these and/or other requirements apply to your franchise. In addition to laws and regulations that apply to businesses generally, the Location Franchise may be subject to federal, state and local occupational safety and health regulations, Equal Employment Opportunity and Americans with Disabilities Act rules and regulations. There are laws that exist in almost all states that regulate the offering of nail care and haircut services. The State Board of Cosmetology or similar administrative or regulatory body of your state regulates nail and hair salons. There are other state laws and regulations specific to providing nail care and haircut services, such as laws and regulations dealing with the handling, storage and disposal of hazardous chemicals. Many states also require that your nail and hair technicians have specific licenses, certifications or credentials and you must ensure that your Franchised Business and the nail and hair technicians that work in your Franchised Business comply with such license, certification or credential requirements. In addition, some states have specific regulations and ordinances that require your Franchised Business to pass a facility health and safety inspection before opening and on an ongoing basis; and may also impose minimum specifications for equipment and facility operations and maintenance. These laws, regulations and ordinances vary from place to place and can change over time. You must know such laws, regulations and ordinances in your locality and must make sure that you and all your nail and hair technicians and employees who work in your Franchised Business comply with any such laws and regulations as well as obtain any licenses, certifications, credentials or permits required by your locality for performing work in your Franchised Business.

If you wish to offer complimentary alcoholic beverages at your Location, you need to comply with all applicable laws and obtain any and all necessary permits prior to doing so, as well as comply with brand guidelines as listed in the Manual(s). If you wish to offer alcoholic beverages for sale at your location you must first obtain approval from us, then you must obtain and maintain a beer and wine, or liquor license, prior to receiving revenue for any alcohol sales, and obtain any and all necessary permits. The difficulty and cost of obtaining licenses to offer and sell beer, wine, liquor or other alcoholic beverages vary greatly from jurisdiction to jurisdiction. There is also a wide variance in state and local laws and regulations governing the sale of alcoholic beverages across the country. Government rules and regulations impact terms and conditions of payment, taxes, advertising, pricing, product labeling, age of consumer, hours of operations, relationships among vendors, product producers, wholesalers, retailers, shipping practices, and limitations on sharing all the same among multi-unit ownership. In addition state

ITEM 4

BANKRUPTCY

On February 21, 2017, Jereme Shelton, our Vice President of Franchise Development, filed for consumer bankruptcy protection under Chapter 7 of the U.S. Bankruptcy Code (U.S. Bankruptcy Court, Sacramento, CA, Case No. 17-21044) with his spouse, Sarah Shelton. The case was discharged on May 30, 2017, and terminated on June 2, 2017. The Shelton's bankruptcy was personal in nature, and did not involve a franchise.

No other person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy code, or under the laws of any foreign nations, required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

Upon signing the Franchise Agreement, you must pay us an Initial Franchise Fee in the amount of Forty-Nine Thousand Nine Hundred and Fifty Dollars (\$49,950). This amount is payable in one lump sum payment, is considered fully earned and non-refundable upon receipt, and except as provided below, imposed uniformly on all franchisees. We reserve the right to modify or discount the Initial Franchise Fee in the future to reflect the changing costs of doing business and changes in the value of a Hammer & Nails® Location Franchise. We may discount or charge a different Initial Franchise Fee: (i) if a prospect purchases multiple Location Franchises (see below); (ii) if we are unable to locate a Location Franchisee in a particular area we consider desirable; (iii) for a Location Franchisee who is also the owner of an Area Representative Business; or (iv) based on other subjective factors we deem important to the System. The Initial Franchise Fee for an Area Representative Business is included as part of the fee charged to Area Representatives. Area Representative Businesses are offered under a separate franchise disclosure document.

Active Duty and Military Veteran Discount

If you are active duty or a military veteran, we offer a 10% discount off Initial Franchise Fees.

Discount for Purchase of Multiple Location Franchises [Through Area Development Agreement](#)

If you purchase multiple Locations Franchises from us at the same time, the Initial Franchise Fee will be as follows for each Location Franchise you purchase from us:

First Location Franchise	\$49,950 (no discount)
Second Location Franchise	\$39,950 (\$10,000 discount)
Third Location Franchise	\$29,950 (\$20,000 discount)
Each Additional Location Franchise	\$24,950 (\$25,000 discount)

Note that to qualify for the multiple Location Franchise discount, you must sign ~~a separate Franchisean~~ [Area Development Agreement \(“ADA”\)](#) for each Location Franchise [you agree to develop](#) and pay ~~us~~ the total Initial Franchise Fee ~~due~~ for ~~all each~~ Location ~~Franchises your purchase~~ [Franchise at the time you sign the ADA.](#) [You will sign the Franchise Agreement for your first Location Franchise](#) at the same time ~~— as signing your ADA.~~ [You will sign the subsequent Franchise Agreements according to the Development Timeline as listed in your ADA for additional Location Franchise. A copy of the ADA is attached as Exhibit H to this Disclosure Document.](#)

In ~~2022~~[2023](#), all licenses sold were sold according to our then current pricing schedule.

Based on the information above, the Initial Franchise Fees range from \$0 to \$49,950, depending on whether a prospect ~~purchase~~purchases an Area Representative Business (\$0) or a single Location Franchise (\$49,950). The discounts above would apply if a prospect purchases and agrees to develop more than one Location Franchise.

Site Evaluation Fee

~~Upon signing the Franchise Agreement, you must pay us a Site Evaluation Fee of \$1,500. This amount is payable in one lump sum payment, is considered fully earned and non-refundable upon receipt. The Site Evaluation Fee is to cover our cost in assisting you with evaluating potential sites for your Location Franchise.~~

Grand Opening Contribution

~~Unless otherwise required by applicable state law, you will pay to us an amount to be used to pay for your “Grand Opening” in accordance with the grand opening marketing budget and plan you and we develop (the “Grand Opening Contribution”). The Grand Opening Contribution will require you to spend \$15,000 to \$20,000. If, for any reason, applicable state law does not permit us to collect the Grand Opening Contribution prior to opening your Location Franchise, then you must pay our approved vendors and service providers for their products and services furnished in accordance with the Grand Opening Marketing Program at the times when due based on invoices presented to you.~~

ITEM 6

OTHER FEES

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	6% of Gross Sales.	Currently we collect twice a month, but intend to change this to weekly, for the previous Monday through Sunday	See Note 2 for the definition of Gross Sales. We require you to pay Royalty Fees by electronic funds transfer. Accrued Royalties are debited from your account via electronic funds transfer on the next business day following the end of the period.
Franchisee Local Advertising	A minimum of \$1,500 per month.	Payments for local advertising are due when billed by the local advertiser.	
Cross Shop Redemption	15% retained	Weekly for the previous Monday through Sunday	If a member who originated at your Shop redeems their membership credits at another H&N Shop you will retain 15% of the value of those membership credits and pay, through automatic debit from your account via electronic funds transfer on the next business day following the end of the period, 85% of the value of those membership credits to the H&N Shop that performed the services for your member.

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Inspection and Testing	Cost of inspection, if applicable, and cost of test. The costs for testing/inspection of a product will vary based on the testing required for the particular product, and we will provide an estimate of the costs to you before testing a product or inspecting any facilities.	When billed.	Before approving a supplier, we may require you to pay the cost of testing the supplier's products and inspecting its facilities (including our administrative expenses).
Indemnification	Varies according to loss.	On demand.	You must indemnify us when certain of your actions result in loss to us.
Audit Fee	Cost of audit	When billed.	Payable if an examination or audit shows you have understated any amount owed to us by 2% or more.
Technology Fee	\$750 per month per Location Franchise	Due on the 1st day of each month, beginning 180 days after you sign the Franchise Agreement.	We may increase the amount of the Technology Fee up to \$1,000 per month upon 30 days' prior written notice to you.
Insurance Fee	An amount equal to our actual expenses for the required coverages.	On demand.	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee equal to our actual expenses for obtaining and maintaining the required coverages.
Enforcement Costs	Will vary.	As incurred.	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the Franchise Agreement.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

(2) “Gross Sales” is the total selling price of all services and products and all income of every other kind and nature related to the Hammer & Nails® Location Franchise, whether for cash or credit and regardless of collection in the case of credit. “Gross Sales” includes: (a) All proceeds from the sale of coupons, gift cards/certificates or vouchers; but when the memberships, coupons, gift cards/certificates or vouchers are redeemed, you are not required to count the retail value of the services provided in determining Gross Sales for royalty purposes or for other fees calculated in respect of Gross Sales (unless we direct otherwise, if you do not record and report sales proceeds for royalty purposes when the coupon, gift card/certificate or voucher is sold, or if coupons, gift cards/certificates or vouchers are distributed free of charge, you will be required to pay royalties based on the retail value of the services provided in exchange for the coupon, gift card/certificate or voucher.); and (b) Your share of revenues from any vending machines or other equipment, machines or devices installed in the Hammer & Nails® Location Franchise. “Gross Sales” does not include (i) sales taxes you collect from customers of the Hammer & Nails® Location Franchise, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to your employees by customers of the Hammer & Nails® Location Franchise or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Hammer & Nails® Location Franchise or having any material effect upon the ongoing operation of the Hammer & Nails® Location Franchise. Note: Currently, cross-shop/franchise redemptions of gift card or memberships may impact the total amount due for royalties and Ad Fund fees.

ITEM 7

ESTIMATED INITIAL INVESTMENT

<u>YOUR ESTIMATED INITIAL INVESTMENT</u>					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee	\$22,455 <u>\$44,550</u>	\$49,950	Lump Sum	When you sign Franchise Agreement	Us
Site Evaluation Fee	\$1,500	\$1,500	Lump Sum	When you sign Franchise Agreement	Us
Lease Expenses (1) (3 months)	\$21,000 <u>\$24,000</u>	\$36,000	As stated in lease	As incurred	Landlord
Leasehold Improvements (2)	\$130,000 <u>\$253,000</u>	\$225,000 <u>\$338,000</u>	As arranged	As incurred	Contractors and subcontractors
Furniture, Fixtures, and Equipment (3)	\$130,000 <u>\$178,000</u>	\$180,000 <u>\$196,000</u>	As arranged	As incurred	Approved Suppliers
Owners Representative to Manage Build-out process	\$12,500	\$18,000	As arranged	As incurred	Approved Suppliers
Computer Hardware and Software (4)	\$2,500 <u>\$3,000</u>	\$2,750 <u>\$5,000</u>	As arranged	As incurred	Approved Suppliers
<u>Technology Fee (4)</u>	<u>\$2,250</u>	<u>\$2,250</u>	<u>As arranged</u>	<u>Monthly fee due 180 days after signing</u>	<u>Us</u>

<u>YOUR ESTIMATED INITIAL INVESTMENT</u>					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
				<u>Franchise Agreement</u>	
Initial Training Costs (5)	\$1,000 <u>\$3,000</u>	\$3,000 <u>\$10,000</u>	As arranged	Before opening	Costs of travel, lodging and meals
Security Deposits (6)	\$5,000 <u>\$7,000</u>	\$12,000 <u>\$14,000</u>	As arranged	As incurred	Third-Party Suppliers
Architect, Plans and Designs (including Site Plan/Design Fee) (7)	\$4,000 <u>\$10,000</u>	\$20,000 <u>\$22,000</u>	As arranged	As incurred	Architects, Designers or Engineers
Signage (8)	\$7,000 <u>\$9,500</u>	\$11,000 <u>\$13,000</u>	As arranged	As incurred	Third-Party Suppliers
Initial Inventory/Supplies (9)	\$17,500 <u>\$35,000</u>	\$28,000 <u>\$45,000</u>	As arranged	As incurred (prior to opening)	Approved Suppliers
Grand Opening Marketing (10)	\$15,000 <u>\$23,000</u>	\$20,000 <u>\$30,000</u>	As arranged	As incurred	Advertisers and other vendors
Business Permits/Licenses (13 12) (1 st year)	\$250 <u>\$1,500</u>	\$2,000 <u>\$9,000</u>	As required by government authorities	As required by government authorities	Applicable government Authorities
Insurance Deposits and Premiums (1st year)	\$4,000 <u>\$5,000</u>	\$7,000 <u>\$7,500</u>	As required by insurance carrier	Before opening	Insurance carriers
Professional fees (first three months) (11)	\$1,500	\$5,000 <u>\$6,000</u>	As arranged	As arranged	Attorneys, accountants or other professionals
<u>Owner/Manager Salary</u> (12)	<u>\$0</u>	<u>\$60,000</u>	<u>As arranged</u>	<u>As arranged</u>	<u>Owner or Third parties</u>
Additional Funds (12 14) (3 months)	\$50,000	\$65,000 <u>\$75,000</u>	As arranged	As arranged	Third parties
TOTAL (13)	\$425,205 <u>\$650,300</u>	\$686,200 <u>\$918,700</u>			

Notes:

(1) Hammer & Nails® Locations are typically located in commercially zoned shopping or entertainment areas. ~~Due to the cost of land acquisition and new construction, we anticipate that the premises for Hammer & Nails® Location Franchise will be leased.~~ These amounts assume that you will lease the premises for the Hammer & Nails® Location Franchise and do not include costs of land acquisition and construction of a building. ~~The leasehold improvements estimate is based on the cost of adapting our~~ Our prototypical ~~architectural and design plans to a facility containing~~ contains approximately ~~1,300~~[1,700](#) to ~~2,500~~[2,200](#) square feet. The square footage of Hammer & Nails® Location Franchises may vary depending on site availability ~~and your chosen shop~~

~~format~~. Any Shop ~~build~~size outside of the square footage range listed above will ~~required~~require special approval from us and, if approved, your ~~costs~~lease expense could be substantially different than what is listed above.

(2) The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans to a facility containing approximately 1,700 to 2,200 square feet. Construction and remodeling costs may vary widely, depending upon numerous factors, including but not limited to, weather conditions, labor costs, costs of materials, location, condition of the building, cost of construction permits, premises and condition of any related facilities, such as HVAC, electrical/wiring and plumbing infrastructure. The leasehold improvement costs are based on net build out costs of H&N locations opened ~~from 2018 through 2022~~during 2023. In most cases, the landlord has contributed to the cost of the build out by providing ~~leasehold~~Leasehold Improvement Allowance, the range of an allowance can vary, which has been factored into the estimatesbut is usually somewhere between \$0 and \$100,000.

(3) This estimate includes all furniture, fixtures and equipment to be used in your Hammer & Nails® business, including trade dress, interior art work and design elements. All of these items must meet our standards and specifications.

(4) This amount includes estimated purchase costs or monthly lease cost of computer hardware and software (including, without limitation, back office software and point of sale software meeting our specifications and provided by our designated supplier or other manufacturer approved in writing by us) that you must use in the operation of your Hammer & Nails® Location franchise. (See Item 11). In addition, you will be required to ~~pay~~starting paying the ~~full~~-monthly Technology Fee (\$750) ~~within~~-180 days ~~of~~after signing your Franchise Agreement.

(5) We provide initial training to your initial Principal Owner and General Manager (if different) at no additional charge. Therefore, these amounts include only your out-of-pocket costs for the training of these people. You must pay all expenses you or your employees incur in the initial training program, like travel, lodging, meals and wages. The figures in the chart represent the estimated cost for one individual to attend our initial training program.

(6) You will likely be required to pay security deposits to certain third parties, including your landlord, telephone service provider, local utility companies and various equipment vendors and suppliers.

(7) You must use an approved architect/design vendor. After you receive your initial site plans/designs from the architect/design vendor, you may incur additional architect/design costs if modifications or other design services are needed in order to complete construction of your Hammer & Nails® Location Franchise based on specifications and requirements set for by us. All plans must be approved by us prior to the start of construction.

(8) All interior and exterior signage used at, or in connection with, your Hammer & Nails® Location Franchise must conform to our standards and specifications.

(9) We estimate that this range will cover the cost of product inventory (including nail care, haircut and shaving services, as well as other grooming services and other related products), supplies and other miscellaneous items for approximately the first 90 days of operations.

(10) You agree to conduct a grand opening advertising and promotional program for the shop and to spend ~~\$15,000~~23,000 to ~~\$20,000~~30,000, as determined by our standards. The grand opening program must be conducted during the period that is ~~30~~120 days before and 30 days following the opening of your shop to the public (or such other period as may be prescribed by us in the Operations Manual). Such advertising and promotion will utilize the marketing and public relations programs and media and advertising materials we have developed or approved, including, without limitation, a variety of meetings with potential members and participation in local events to promote your shop. You will pay third party advertising vendors directly, but all

grand opening advertising must be agreed upon by you and us in advance, and all advertising must conform to our standards and specifications.

(11) We strongly recommend that you retain an attorney to advise you on this franchise offering. You may also wish to retain an accountant to help you evaluate this franchise offering. ~~If~~ When you ~~choose to~~ form an entity to own the franchise, you may incur additional fees that we cannot estimate.

(12) State and local government agencies typically charge fees for occupancy permits, business license, and barbering and cosmetology license.

(13) These amounts can be allocated to either a manager or, if you are an owner operator, applied towards your salary, if you should choose to pay yourself. The owner or manager will be required to put in full-time effort to the construction, pre-sales, and grand opening operations of your Hammer & Nails Franchise Location.

(14) ~~(12)~~ These amounts provide a range of additional funds needed for the first three months of operation. These additional funds include payroll, supplies, and other general operating expenses. These amounts do not include any estimates for debt service or any salary or draw for you. These figures are estimates, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen.

~~(13) State and local government agencies typically charge fees for occupancy permits, business license, and barbering and cosmetology license.~~

~~We do not offer any financing for your initial franchise fee or any portion of your initial investment.~~

Unless otherwise stated, the amounts described above are not refundable (See Item 10).

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must purchase certain products, supplies, insurance, inventory, signage, fixtures, furniture, equipment, décor and other specified items under specifications and standards that we periodically establish in our Manuals or other notices we send to you from time to time. You may be required to purchase or lease from us, our affiliates, or other designated third party suppliers all of the products, services, supplies, fixtures, equipment, inventory or real estate used in establishing or operating the Hammer & Nails® Location Franchise, but we do impose several sourcing/supplier requirements for certain items, including, among other things, private label products that you must offer for sale at any Hammer & Nails® Location Franchise you own and the supplies and products used in operating such business, and we reserve the right to require you to purchase some or all of such items from us, our affiliates or other third party designated suppliers in the future. Our sourcing/supplier requirements will impact you as the owner of a Hammer & Nails® Location Franchise. The equipment, products and services may include: equipment (such as pedicure bowls, manicure dishes, paraffin machines, towel warmer units, haircut and shaving supplies, and other equipment, furniture and fixtures, technology items (such as: POS System, computers, software, camera security system, flat screen televisions, wireless receivers and a sound system), approved products (such as: lotions, oils, nail polishes, towels, grooming products, hair care products, etc.), privately labeled products (which are products that carry the Hammer & Nails® brand), supplies (such as gloves, liners, containers, replacement pads, paper products, cleaning supplies, etc.), uniforms, signage, site design services, satellite television providers, merchant services, promotional merchandise, printed advertising materials, shows and event marketing opportunities and vendor, co-branding, affinity programs.

Approved and Required Vendors and Suppliers

To maintain the quality of the services and goods that Hammer & Nails Franchised Businesses offer and sell, as well as the reputation and goodwill of our Marks, you must operate your Franchised Business according to our System Standards. The System Standards may regulate, among other things: (i) the types, models, and brands of products, marketing materials and services your Franchised Business uses; (ii) required and authorized products and services that your Franchised Business must offer; (iii) required and authorized product and service categories; (iv) designated and approved suppliers of these items and services; and (v) design and layout specifications. As such, our current required vendors are:

~~Wadsworth Design Inc~~ [Whitespace](#). They provide the initial layout of your space plan and purchase of majority of your furniture, fixtures, and equipment, including the lighting package for your build out.

WBC Group, LLC doing business as Meyer Spa. They provide the initial startup kit for majority of ~~nonbranded~~ [nonbranded](#) supplies and retail products. In addition, they are required to use for ongoing supply and nonbranded retail product replenishments.

BPL Supplies, Inc. They provide all branded material, including print, apparel, supplies, and marketing collateral for your business.

Zenoti. They provide the Point of Sale software and credit card processing for your business.

~~Brown & Brown Insurance~~ [Assured Partners](#). They provide insurance for your business.

~~Site Selection and Local Broker Services from one of two Approved Vendors; Resolute RE or Whitezman,~~
ServSafe. They provide training around the safe serving of alcoholic beverages.

Approved vendors are those who demonstrate on a continuing basis the ability to meet our then-current standards and specifications, who have adequate quality controls and the capacity to supply the needs of the Hammer & Nails® Franchise network promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may designate ourselves or our affiliates as approved or designated suppliers of any item. Before opening a Hammer & Nails® Location Franchise (and from time to time as needed during operation), you must purchase from approved vendor's certain items required for the operation of a Hammer & Nails® Location Franchise, including, among other things, uniforms, certain equipment/tools, approved signage and a designated POS system.

Proposing New Suppliers

If you want to use any item or service for or at your Franchised Business that we have not yet evaluated or buy or lease from a supplier that we have not yet approved (for items and services that require supplier approval), you first must send us sufficient information, specifications, and samples so we can determine whether the item or service complies with our System Standards and/or the supplier meets approved supplier criteria. We may charge you or the supplier our costs for the evaluation. We will notify you of our approval or rejection of a proposed item, service or supplier within a reasonable time, usually within 60 days after receiving all information we require. Supplier approval might depend on, among other things, product quality, prices, consistency, warranty, reliability, delivery frequency, service standards, financial capability, customer relations, and concentration of purchases with limited suppliers to obtain better prices and service. Approval might be temporary until we evaluate the supplier in more detail. We may revoke our approval of a supplier by notifying the supplier and you in writing. It is an event of default under your Franchise Agreement if you utilize unapproved products, services or suppliers in the operation of your Franchised Business.

Purchases According to Specifications

You must comply with all of our standards and specifications relating to the purchase of all supplies, materials, fixtures, furnishings, equipment, computer systems and other products used or offered for sale at a Hammer & Nails® Location Franchise. Among other things, the following must comply with our specifications:

Site Selection and Construction

You must locate a site for the Hammer & Nails® Location Franchise within 90 days of the ~~Effective~~Effective Date that satisfies our site selection requirements ~~through one of our two approved vendors~~. You must adapt our prototypical architectural and design plans as needed for the construction or remodeling of your Hammer & Nails® Location Franchise and provide them to us within 15 days after you acquire the site for the Hammer & Nails® Location Franchise. We have the right to review your plans and must notify you of our objections within 15 days after we receive your plans. If we do not notify you of any objections within that time, you may use the plans. If we do object within the 15-day period, you may not use the plans. Any objections we make will also include a reasonably detailed list of changes that you must make for the plans to be acceptable. We will notify you within 15 days after we receive your revised plans if they are acceptable. If we do not object to your revised plans within the 15-day period, you may use the revised plans.

Advertising and Promotional Materials

You agree that any advertising, promotion and marketing you conduct will be completely clear and factual and not misleading and will conform to the highest standards of ethical marketing and the promotion policies that we prescribe periodically. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least 15 days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within 10 days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn at our sole discretion at any time.

Insurance

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Hammer & Nails® Location Franchise. All required insurance policies must be purchased from an approved vendor. In addition, each of your insurance policies must include a three-year tail following the termination, expiration or transfer of your Franchise Agreement, and each policy must name us as a co-insured. At a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time in writing), you must carry:

(1) Comprehensive general liability insurance written on an occurrence form, including coverage for beauticians professional liability, broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, \$1,000,000 personal and advertising injury, \$50,000 damage to premises rented to you, and \$5,000 medical expense (any one person). The general liability coverage shall include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability. There should be no limitation or exclusion for sexual abuse or molestation coverage;

(2) Employment related practices liability insurance, including third party coverage, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Such insurance must include a deductible of less than \$10,000 unless we approve a higher deductible in writing. Prior acts retroactive date must be no later than the effective date of your Hammer & Nails® Franchise Agreement;

- (3) Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage with a limit not less than \$1,000,000 per accident. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us;
- (4) Commercial umbrella or excess liability following form insurance in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate;
- (5) Property insurance coverage to include coverage for replacement costs of all Franchisee-owned contents and tenant improvements at each location, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than six months. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$10,000 per occurrence;
- (6) Workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of us; and
- (7) Such other insurance as may be required by us from time to time or by the landlord of the Hammer & Nails® Location Franchise premises, and by the state or locality in which the Hammer & Nails® Location Franchise is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.
- (8) If you plan to obtain a liquor license for the sale of alcoholic beverages then you would be required to obtain any other insurance required by local, state, or other government regulations in connection with the sale of alcoholic beverages in your jurisdiction.

Revenue of Franchisor

We received rebates from the sale of products or services to our franchisees in ~~2022~~2023 in the amount of \$~~17,998.95~~84,038, which represents ~~less than 12.3%~~ of all revenues received in ~~2022~~2023.

We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items, such as uniforms, logoed paper products, insurance, design/architecture services, music/on-hold messaging services, supplies or other items, with suppliers for the benefit of franchisees. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor. We or our affiliates may receive rebates or other material consideration from approved or designated sources. We will not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software from us or our designee, from suppliers we approve, or under our specifications are all considered "required purchases." We describe these obligations in detail in the preceding sections of this Item 8. The magnitude of required purchases in relation to all purchases you make to establish and operate the Hammer & Nails® Location Franchise is difficult to determine due to the highly variable nature of expenditures necessary to establish and operate the Hammer & Nails® Location Franchise as described in Item 7. It is estimated that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 90% of your total initial purchases. It is anticipated that during the operation of your Location Franchise, required purchases from us, our affiliates or the vendors that we specify or approve (not including rent, royalties or labor costs) are estimated to be approximately 80% of your total monthly purchases in the continuing operation of your Location Franchise (this depends on the size of your Location, amount of inventory you purchase and your sales volume).

BPL Supplies, Inc. has a licensing agreement with the Franchisor to use its trademark to create private label products. An Officer of the Franchisor has an ownership interest in BPL Supplies, Inc.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

Obligations	Section(s) in Franchise Agreement (FA) and Area Development Agreement (ADA)	Disclosure Document Item
(a) Site selection and acquisition/lease	Franchise Agreement FA Section III.A.; <u>ADA Section – N/A</u>	Items 8 and 11
(b) Pre-opening purchases/leases	Franchise Agreement FA Sections III, VIII, IX. And XIII.; <u>ADA Section – N/A</u>	Items 5, 6, 7, 8 and 11
I(c) Site development and other pre-opening requirements	Franchise Agreement FA Sections III, VII, IX.F, VIII, and XIII.; <u>ADA Section – N/A</u>	Items 1, 7, 8 and 11
(d) Initial and ongoing training	Franchise Agreement FA Sections VI.B. and VIII.A.; <u>ADA Section – N/A</u>	Items 6, 7 and 11
(e) Opening	Franchise Agreement FA Sections III, IX.F. and Exhibit C; <u>ADA Section – N/A</u>	Items 7 and 11
(f) Fees	Franchise Agreement FA Sections V. and IX.; <u>ADA Section 4.01 and 4.02</u>	Items 5, 6 and 11
(g) Compliance with standards and policies	Franchise Agreement FA Sections III, IV, VII, VIII, IX, X., XI, XII, XIII.; <u>ADA Section 6</u>	Items 8, 11, 14 and 16
(h) Trademarks and proprietary information	Franchise Agreement FA Sections X. and Xi XI. and Exhibit B; <u>ADA Section 8</u>	Items 11, 13 and 14
(i) Restrictions on products/services offered	Franchise Agreement FA Section VIII.; <u>ADA Section – N/A</u>	Items 11, 13 and 14
(j) Warranty and Customer Service Requirements	Franchise Agreement FA Section VIII.H.; <u>ADA Section – N/A</u>	Items 8 and 16
(k) Territorial Development and Sales Quotas	Not applicable; <u>ADA – Exhibit B</u>	Item 16

Obligations	Section(s) in Franchise Agreement (FA) and Area Development Agreement (ADA)	Disclosure Document Item
(l) On-going products/services purchases	Franchise Agreement FA Sections VIII. and IX.; ADA Section – N/A	Item 12
(m) Maintenance, appearance and remodeling requirements	Franchise Agreement FA Sections IV.B. and VIII.; ADA Section – N/A	Items 8, 11 and 16
(n) Insurance	Franchise Agreement FA Section XIII.; ADA Section – N/A	Item 8
(o) Advertising	Franchise Agreement FA Section IX.; ADA Section – N/A	Items 7 and 8
(p) Indemnification	Franchise Agreement FA Section XVI.; ADA Section 6.07	Items 6, 8 and 11
(q) Owners Participation management/staffing	Franchise Agreement FA Sections VII. and VIII.; ADA Section – N/A	Items 1, 11 and 15
(r) Records/reports	Franchise Agreement FA Sections III, V., IX. and XII.; ADA Section – N/A	Item 11
(s) Inspections/audits	Franchise Agreement FA Sections III, VI, VIII. and XII.	Items 6, 8 and 11
(t) Transfer	Franchise Agreement FA Section XV.; ADA Section 12	Items 6, 12 and 17
(u) Renewal	Franchise Agreement FA Section IV.; ADA Section – N/A	Items 6, 12 and 17
(v) Post-termination obligations	Franchise Agreement FA Section XIX.; ADA Section 10.	Item 17
(w) Non-competition covenants	Franchise Agreement FA Section XI. and Exhibit B; Section 11	Item 17
(x) Dispute resolution	Franchise Agreement FA Section XX.; ADA Section 15	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. We are unable to estimate whether you will be able to obtain financing for any of your investment and, if you are able to obtain financing, we cannot predict the terms of the financing. We do not receive payment from any person for obtaining or placing financing. We do not guarantee any of your obligations to third parties, including any relating to notes or leases.

Site Selection and Construction

You must identify and secure a site for your Hammer & Nails® Location Franchise within a non-exclusive Designated Area. In reviewing your proposed site, we consider various factors, including the condition of the site, the location of the site, population, and other demographic factors. We must accept the site as meeting our standards before you may begin any construction or renovations or use such site for your Hammer & Nails® Location Franchise. You cannot place a Hammer & Nails® Location Franchise at a site we have not first accepted in writing. We loan you our written site selection guidelines to assist you in selecting a site that meets our guidelines. We do not generally own premises and lease them to our franchisees. (Section III.A. of Franchise Agreement)

When you identify a proposed site, you must submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines, a copy of the proposed lease or contract of sale for the site, and any other information we may require. We have 15 days after we receive all required information to review and accept or not accept your proposed site and notify you of such acceptance or rejection. You must also obtain our written approval of the final, complete lease or contract for sale for your site prior to your signing, and such document must include a rider in substantially the form of Exhibit G to the Franchise Agreement. If we accept multiple sites, you must notify us within 5 days of our acceptance of the sites of the site that you intend to acquire for the Hammer & Nails® Location Franchise. Our acceptance of a site does not guarantee that a Hammer & Nails® Location Franchise will be profitable or successful at that site. (Section III.A. of Franchise Agreement)

You are solely responsible for locating and obtaining a site for your Hammer & Nails® Location Franchise that is acceptable to us, and you must do so within 90 days after signing the Franchise Agreement. We have 15 days after we receive all required site information from you to review and approve or reject your proposed site and notify you of such approval or rejection. If you are not able to locate a site that is approved by us within 90 days after signing the Franchise Agreement then you will be in default under the Franchise Agreement, and we may, at our option, terminate your Franchise Agreement.

Promptly following our acceptance of the site, you must enter into a lease or contract of sale for the site, not later than 60 days after our approval of the site. You must provide us with a copy of the signed lease or contract of sale within 10 days of signing it. (Section III.A. of Franchise Agreement)

You are responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Hammer & Nails® Location Franchise, and you must conform the studio premises as needed to comply with any local ordinances and building codes at your expense. (Franchise Agreement, Section III.C.) Before beginning construction of the Hammer & Nails® Location Franchise, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Hammer & Nails® Location Franchise, and (ii) certify in writing to us that they have been obtained and that the insurance coverage required under the Franchise Agreement is in full force and effect. (Franchise Agreement, Section III.C.)

You must obtain, at your expense, any architectural, engineering, design, construction and other services necessary for the construction of the Hammer & Nails® Location Franchise. The architect(s) and engineer(s) selected to plan and oversee construction of your Hammer & Nails® Location Franchise must be approved by us before beginning their work on the Hammer & Nails® Location Franchise. We may, but are not obligated to, provide you a list of approved architects and engineers. (Franchise Agreement, Section III.D.)

Time Between Signing the Franchise Agreement and Locating and Opening an Approved Site

We estimate that it will be approximately ~~180~~[270](#) to [270](#)~~365~~ days from the time you sign the Franchise Agreement to the time you begin operations. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your Hammer & Nails® Location Franchise and other factors, such as delays or difficulties in obtaining financing, building permits, zoning and local ordinances,

weather conditions, shortages of materials or delayed installation of equipment, fixtures or signs. You must begin business within ~~270~~³⁶⁵ days after signing the Franchise Agreement, unless we give you a written extension. (Franchise Agreement, Section III.E.) If you fail to obtain a written extension, you will be in default under the Franchise Agreement and we may terminate such agreement at our option.

Sale of Founding Memberships

1. No memberships may be sold prior to opening the shop to the general public unless
 - a. we have authorized you to sell memberships to the public;
 - b. you (or your managing owner) and the shops proposed manager have completed to our satisfaction the pre-opening training described in the franchise agreement; and
 - c. you have secured all financing and permits necessary to develop, build and fully equip the shop.
2. You must commence selling Founding Membership activities prior to opening your shop. All founding membership activities must comply with the standards and specifications described in the Manuals or otherwise in writing by us.
3. You must also comply with and certify to us that you have obtained all necessary bonds and otherwise have complied, and will comply, with all applicable laws relating to your pre-sale of memberships. If you fail to do so, in addition to our other rights and remedies, you will not be authorized to begin offering or selling memberships for the shop.
4. You alone are responsible for ensuring that your membership agreements comply with all applicable laws and other legal requirements, including, without limitation, laws pertaining to bonding and escrow requirements. You will be liable to the applicable legal authorities if you fail to do so.

Requirements for Opening

On or before the Opening Date, you must open your shop for business utilizing the Systems; provided, however, you may not open the shop for business until:

1. We have inspected and approved the shop as having been developed in accordance with our specifications and standards. As an alternative, or in addition, to our physical inspection of the shop, we may require you to send us video and/or photographs of the shop.
2. You must give us at least 30 days' prior written notice of your shop planned opening date and must notify us in writing when the shop is ready for inspection. If we do not inspect the shop within ten (10) business days after your delivery of notice that the shop is ready for inspection, or if we do not deliver written comments to you within five (5) business days after our inspection, then the shop is deemed approved for opening. Our inspection and approval are limited to ensuring your compliance with our standards and specifications, although our approval is not a representation that the shop complies with our standards and specifications or a waiver of our right to enforce any provision of this Agreement. Our inspection and approval are not designed to assess compliance with federal, state or local laws or regulations, including the ADA, as compliance with such laws is your responsibility. We will not unreasonably withhold our approval of your shop;
3. You (or your managing owner) and the shop manager have completed the pre-opening training.
4. You have satisfied all bonding, licensing, and other legal requirements for the lawful operation of your shop, including, without limitation, by ensuring that your planned membership offerings following the shop's opening and your forms of membership agreement comply with applicable law;

5. All amounts due to us have been paid;
6. We have received satisfactory evidence that you maintain the insurance required by this Agreement;
7. You have signed and delivered to us a request for opening, in the form we specify, under which, among other things, you certify that all of the requirements in have been satisfied.
8. We will work with you to identify the shop's Actual Opening Date at least 15 days before the Actual Opening Date. If you fail to do so, or if you fail to send us a completed request for opening form before you open the shop, then, in addition to our other rights and remedies, you will not be authorized to open or begin operating the shop.

Grand Opening Pre-Sales Program

You agree to conduct a grand opening pre-sales advertising and promotional program for the shop and to spend \$~~15,000~~23,000 to \$~~20,000~~30,000, as determined by our standards. The grand opening program, often referred to as Pre-sales must be conducted during the period that is ~~30~~120 days before and 30 days following the opening of your shop to the public (or such other period as may be prescribed by us in the Operations Manual). Such advertising and promotion will utilize the marketing and public relations programs and media and advertising materials we have developed or approved, including, without limitation, a variety of meetings with potential members and participation in local events to promote your shop.

Advertising

Local Advertising

You must spend at least an amount equal to \$1,500 per month for advertising and promotion of the Hammer & Nails® Location Franchise in the Protected Area (See Item 12 for a description of the Protected Area).

You must submit to us any reports (including substantiating receipts) detailing your local advertising expenditures that we may require. We may reallocate the proportion of those monies directed to local advertising (individually or through a Cooperative) and to the Fund. (Franchise Agreement, Section IX.)

You must place and pay the cost of a business listing acceptable to us, which may, at our option, be an Internet business listing, in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. We will not credit your payments for these listings towards your local advertising expenditure requirement. (Franchise Agreement, Section IX.G.)

All advertising and promotions you place in any medium must be conducted professionally, must conform to our standards and requirements and must be approved by us before use. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least 15 days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within 10 days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn at our sole discretion at any time.

You may not advertise, promote, post or list information relating to the Hammer & Nails® Location Franchise on the Internet (through the creation of a website or otherwise), but we may, at our option, decide to include information about your Hammer & Nails® Location Franchise on our Website.

We can designate any geographic area in which 2 or more company-owned or franchised Hammer & Nails® Franchisees are located as a region for an advertising cooperative (“Cooperative”). We reserve the right to

Fund and its programs. We will prepare an annual statement of the Fund's operations and will make it available to you if you request it. Any amounts in the Fund that are not spent in the fiscal year in which they accrue will be applied toward advertising activities or our expenses incurred in administering the Fund and its programs in the following fiscal year. We are not required to have the Fund's statements audited.

For the year ending December 31, ~~2022~~2023, there were ~~\$91,616.10~~166,574.34 in Ad Fund contributions. During fiscal year ~~2022~~2023, the Ad Fund contributions were spent as follows: ~~39~~37% on media placement, ~~33~~41% on production expenses, and ~~28~~22% on administrative and miscellaneous expenses. We presently do not have an advertising council.

We may terminate the Fund at any time on 30 days' prior written notice to you. If we terminate the Fund, all unspent monies will be distributed to the contributors in proportion to their respective contributions during the preceding 12-month period. (Franchise Agreement, Section IX.C.)

Computer and Electronic Cash Register Systems

You must purchase, install and at all times use our designated point of sale computer system ("POS System") at your Hammer & Nails® Location Franchise. If the POS System is updated or modified by the manufacturer from time to time you may be required to purchase the modified or upgraded version. You must also install and maintain at least two point-of-sale terminals that are capable of running the POS software (and one back-office work station computer). The POS software is used to generate, compile, store and manage Hammer & Nails® Location Franchise sales information. You must purchase this software and the related point of sale hardware from a supplier approved by us. Before approving a new supplier, we will require you to pay the cost of testing the supplier's products and inspecting its facilities (including our administrative expenses). These costs will vary depending on the nature of the products being tested and the nature and location of the facilities being inspected. Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time, but we will use commercially reasonable efforts to notify you within 30 days once we have completed our evaluation of the proposed product or supplier.

The POS system, including the required computer hardware needed to operate the system, costs approximately ~~\$1,000~~3,000 to ~~\$2,500~~5,000 (as shown in Item 7 of this disclosure document), depending on the number of terminals needed for your Hammer & Nails® Location Franchise and whether you wish to have a central office terminal for tracking information for multiple locations. You are also required to pay us a Technology Fee of \$750/month within 180 days of signing your Franchise Agreement. You must pay a separate Technology Fee for each franchise you operate. We reserve the right to increase this fee upon thirty (30) days' written notice.

You must also install and maintain a computer at the Hammer & Nails® Location Franchise that has Internet access via high speed internet connection, is capable of running the software we require from time to time and is able to transmit and receive e-mails. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Hammer & Nails® Location Franchises.

Except as stated above, neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades or updates to your hardware or software. Except as stated above, there are currently no optional or required maintenance/upgrade contracts for the POS System or any of your computer systems. The software programs and hardware used at Hammer & Nails® Location Franchises are designed to enable us to have independent access to the information generated and stored by the system, and there is no contractual limitation on our access to or use of the information we obtain.

We may revise our specifications for the hardware and any software used in the Hammer & Nails® Location Franchises as we deem necessary, including the designation of specific brands or models of accounting software or other software used for word processing, spreadsheets and other office functions, that you must use in the operation of your Hammer & Nails® Location Franchise. In addition, you must update and upgrade the

hardware and software described in this Item 11 from time to time as we require, and you must install any other hardware or software for the operation of the Hammer & Nails® Location Franchise that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. The licensors of the required software may develop enhancements and upgrades for their programs that you may be required to obtain. We cannot estimate how often those licensors may develop updates, upgrades or enhancements, or whether we will require you to obtain them, or their cost to you. There are, however, no limitations on the frequency and cost of the updates, upgrades or enhancements. However, we estimate that the annual cost of any optional or required maintenance or upgrades of your computer system would not be expected to exceed the cost of your original purchase of the computer system.

Confidential Operations Manuals

After you sign the Franchise Agreement, we will loan you a copy of our Manuals (in electronic format only), which we may amend from time to time. A copy of the table of contents for the operations manual for Location Franchises is attached as Exhibit B to this Disclosure Document. The operations manual for Location Franchises may be revised from time to time. We consider the contents of the manual and any other documents we provide you relating to Hammer & Nails® Location Franchise (collectively referred to as our “Manuals”) to be proprietary, and you must treat them as confidential. You may not make any copies of the Manuals.

Training

Initial Training

Unless we agree otherwise, within ~~sixty (60) days of executing~~ the time allotted to open your shop per the Franchise Agreement for your Hammer & Nails® Location Franchise, you and your Principal Owner and General Manager (if different from the Principal Owner) must have attended and completed our initial ~~management~~ Pre-Opening training program to our satisfaction. (Franchise Agreement, Section VIII.A.) Our initial pre-opening training is completed via Zoom and consists of approximately 30 hours of training. The training is completed over the ~~course of several~~ weeks leading up to your shop opening.

Additionally, 100% of your team must attend our New Shop training before you open your shop. The New Shop training is on-the-job training and consists of 80-100 hours of training for your first shop. If you purchase more than one franchise multiple franchises, we will provide a significantly reduced training curriculum for your second franchise Franchise.

The Preopening training program ~~may will~~ be conducted ~~at our offices in Folsom, CA, or~~ through recorded courses, interactive online courses, at our discretion and in-person training via Zoom. The New Shop training is completed in person and will be conducted at your location and or another fully operational Hammer & Nails location.

Manuals, guides, and other resources detail all aspects of franchise operations presented in training and serve as an ongoing reference. ~~Updates to the Hammer & Nails Operational~~ Manuals will be made available to you through various means, including online, our intranet. These manuals are updated regularly.

Training sessions will be taught by a combination of ~~John Choi, Aaron Meyers~~ Mia Dinh, Amanda Guthrie, and/or other qualified staff members of our staff or third-party professionals designated by us. Each member of our training staff will have at least 2two years of experience in the subject matter to which they have been assigned training responsibilities.

~~John Choi, our Chairman, has over 30 years of business experience as a Business Consultant and a Partner in a CPA firm. John also has over 10 years of franchise experience where he owned, operated, and marketed membership based franchise businesses. John and/or other qualified members of our staff will teach franchisees The Hammer & Nails® systems and philosophy and train franchisees on our product presentation and merchandising, our approved vendors and suppliers, how to run your shop efficiently, staffing and labor costs, marketing and promoting your business, our POS system and software training, and administrative and bookkeeping responsibilities.~~

~~———— Aaron Meyers has over 25 years managing and operating businesses and is an expert at innovating consumer experience, supply chain, and organizational execution. He has been responsible for leading franchise operations in a \$1.3 Billion in revenue organization in over 1150+ retail locations. Mr. Meyers and/or other qualified members of our staff with at least 2 years of subject matter experience will train on operational execution, sales, customer service, consumer experience, strategies for purchasing equipment, products and supplies, and our pricing guidelines~~

Mia is a grooming industry veteran with 15 years of experience as a Precision Cutting Specialist and Educator. With a background in Education and Sociology, she has married her passion for her craft with her desire to support every teammate's growth as the Director of Training. Having consulted with some of the industry's most renowned luxury salons, Mia is a hospitality nerd with a penchant for reimagining the ultimate guest experience.

Amanda is a seasoned franchising veteran. Her journey with membership and service-based franchise concepts began back in 2005. She has held roles such as Owner, Operator, and General Manager in over 14 location franchises. Amanda is affectionately referred to as our "Swiss Army Knife" for her complex range of skills. She provides support to the field in Operations and Training and is incredible with a camera, design files, and POS tech support.

Occasionally, ~~different~~ guest speakers may ~~make an appearance~~ appear at the training program to provide information about various products, services, and programs ~~offered by us~~ we offer. For example, some speakers may be our employees, franchisees, or industry experts. Our training program uses presentations, demonstrations, examples from the Operations Manual, on ~~the~~ job training, and various speakers.

<u>Training Program</u>			
TRAINING PROGRAM			
Subject	<u>Preopening Hours of Classroom/Online Training</u>	<u>New Shop - Hours of On -the -Job Training</u>	Location
The Hammer & Nails® System and Philosophy <u>Golden Standard</u>	1 Hour	<u>0 Hours</u>	Our offices in Folsom, CA, or online <u>Online Course</u>
<u>Service Menu Navigation</u>	<u>1 Hour</u>	<u>0 Hours</u>	<u>Online Course</u>
Approved Services	2 Hours		Our offices in Folsom, CA, or online
Approved Equipment and Products and How to Use Them	1 Hours		Our offices in Folsom, CA, or online
Product Presentation and Merchandising	1 Hour		Our offices in Folsom, CA, or online
Approved Vendors and Suppliers	2 Hours	<u>0 Hours</u>	Our offices in Folsom, CA, or online <u>Zoom</u>

Training Program

TRAINING PROGRAM

Subject	<u>Preopening</u> Hours of Classroom/Online Training	<u>New Shop -</u> Hours of On -the -Job Training	Location
Strategies for Purchasing Equipment, Products and Supplies	2 <u>4</u> Hours	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom
Barbering, Manicure and Pedicure Service Offerings	2 Hours		Our offices in Folsom, CA, or online
Client Service Standards, Quality and Handling Complaints	4 Hours		Our offices in Folsom, CA, or online
Pricing Guidelines	1 Hours	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom
How to Run Your Shop Efficiently, Sales <u>Pre-sales</u> Training	3 <u>4</u> Hours	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom
Safety, Security, Health and Sanitation	1 Hour	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom
Marketing and Promoting Your Business	2 <u>10</u> Hours	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom
Hiring and Training Employees / Staffing and Labor Costs	2 Hours	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom
POS System and Software Training*	2 <u>3</u> Hours	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom ,
Administrative and Bookkeeping Responsibilities	1 Hours	<u>0</u> Hours	Our offices in Folsom, CA, or online Zoom
Pre-Opening Training		108-126 <u>56</u> Hours	At your Location
Totals Hours**	24 <u>30</u> Hours	108-126 <u>80-100</u> Hours	

*Additional POS and software training may be provided to you and performed by our approved vendors after the initial training above is completed.

**The actual hours of classroom, online, and on-the-job training may vary. For example, it may take less time to cover a subject in a smaller class than in a larger class.

Pre-Opening Training:

In addition to the initial management training program mentioned above, at our (or designated representative's) expense, within two (2) weeks of your Location franchise opening for business, we (or our designated representative) will train your staff on [shop setup](#), brand culture, hospitality etiquette, service menu knowledge, and various hand, foot, hair, shave, beard, or skin protocols and techniques while at your

~~location~~Location. We will also provide ~~you grand opening assistance and provide your~~ front ~~of~~ house staff with sales and membership conversion training ~~during this time.~~ Pre-opening training will typically take between 12-14 days (about 2 weeks), with 7-10 days (about 1 and a half weeks) dedicated to ~~education~~the education of your staff; however, ~~it~~timing may vary ~~depending on the size of your staff~~. For additional licenses purchased and opened you will receive ~~3 days of onsite~~additional support to fit the needs of the additional locations. Pre-opening training may take place at your Location or substituted with training at a current operational Hammer & Nails shop in your area.

Ongoing Training:

We may provide you with memos, network calls, webinars and/or newsletters that will contain ongoing training relating to your Hammer & Nails® Location Franchise. In very rare instances, we may periodically require that you or your Owners (if you are an entity), general manager and/or technicians complete additional or refresher training programs to correct, improve or enhance the operations of your Franchise. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board. You are responsible for ~~any and~~ all expenses incurred in connection with any initial or additional training and attendance at any franchisee conventions, including, without limitation, the costs of travel, lodging, meals and wages incurred by you and your personnel.

ITEM 12

TERRITORY

The Franchise Agreement gives you the right to operate a Hammer & Nails® Location Franchise at a site we accept as meeting our site selection guidelines (the “Location”). You must select the site for your Hammer & Nails® Location Franchise from within the non-exclusive “Designated Area” identified in Exhibit C to your Franchise Agreement. The Designated Area will be agreed upon by you and us before your execution of the Franchise Agreement and may range from a portion of a city or an unincorporated area to a single or multi-county area. You have no rights in the Designated Area other than the right to identify a proposed site for your Hammer & Nails® Location Franchise, but after you locate a site acceptable to us we will grant you a “Protected Area” around that site as described below.

Franchise Agreement

If you remain in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish or authorize anyone except you to establish a Hammer & Nails® Location Franchise in the geographic area identified as the “Protected Area” in Exhibit C of the Franchise Agreement (the “Protected Area”) during the term of the Franchise Agreement. Your Protected Area will be (a) a circular geographic area having a radius of at least 1.5 miles and its center at the front door of your Hammer & Nails® Location Franchise, or (b) an irregularly shaped geographic area which includes your Hammer & Nails® Location Franchise and extends out from the front door of your Hammer & Nails® Location Franchise at least 1.5 miles in all directions. We determine the boundaries of each Protected Area on a case-by-case basis based on various factors, including (i) the population in the surrounding area; (ii) traffic volume and traffic patterns; (iii) proximity to retail centers, residential areas, businesses and other potential customer sources; and (iv) other site-specific data as applicable. The Protected Area will be described in Exhibit C of the Franchise Agreement as a radius or by street boundaries, county or state lines, or other descriptions of municipal boundaries.

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

You cannot relocate the Hammer & Nails® Location Franchise without our consent. If you lose possession of the Location through no fault of your own, you may apply to us for our approval to relocate your

ITEM 13

TRADEMARKS

We grant you the right and license to use the Marks and the System solely in connection with your Location Franchise. You may use our trademark “Hammer & Nails®” and such other Marks as are designated in writing by us for your use. In addition, you may use them only in the manner authorized and permitted by us and you may not directly or indirectly contest our ownership of or rights in the Marks.

The following Marks are registered with the U.S. Patent and Trademark Office (“USPTO”) on the Principal Register. At the appropriate times, we intend to renew the registrations and to file all appropriate affidavits.

Mark	Serial Number	Application Date	Registration Number	Registration Date	Register
	86868307	January 7, 2016	5200978	May 9, 2017	Principal
HAMMER & NAILS	86930926	March 7, 2016	5312326	October 17, 2017	Principal
HAMMER & NAILS	86487315	December 20, 2014	4891584	January 26, 2016	Principal
HAMMER & NAILS – Nail Shop for Guys	85915679	April 26, 2013	4827464	October 6, 2015	Principal
HAMMER & NAILS – Nail Shop for Guys	85982094	April 26, 2013	4594169	August 26, 2014	Principal
The Uniform After the Uniform	97501844	July 13, 2022	Pending	Pending	Pending

There are no effective agreements that limit our right to license the Marks. With respect to the Marks, there are currently no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceeding. If our right to use a trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. All affidavits have been filed.

We will indemnify against or reimburse for expenses you incur in defending claims of infringement or unfair competition arising out of your use of the Marks. You are required to notify us immediately when you become aware of the use, or claim of right to, a Mark identical or confusingly similar to our Marks. If litigation involving the Marks is instituted or threatened against you, you must notify us promptly and cooperate fully with us in defending or settling the litigation. We, at our option, may, but is not required to, defend and control the defense of any proceeding relating to any Marks. We have the exclusive right to control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Marks. You agree to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

If it becomes advisable at any time in our sole judgment for us to modify or discontinue the use of any Mark, or use one or more additional or substitute trade or service marks, including the Marks used in our business name, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

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

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents Rights

The Company owns no rights in or to any patents that are material to the franchise. We have no patent applications pending at this time.

Copyrights

The Company claims a common law copyright and treats the information in the Manuals as confidential trade secrets, but you are permitted to use the material as part of your Location Franchise.

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

Confidential Operations Manuals

Under the Franchise Agreement, you must operate the Hammer & Nails® Location Franchise in accordance with the standards, methods, policies, and procedures specified in the Manuals. You will be loaned a copy of the Manuals for Hammer & Nails® Locations Franchises for the term of the Franchise Agreement, when you have completed the initial training program to our satisfaction. You must operate your Hammer & Nails® Location Franchise strictly in accordance with the Manuals, as it may be revised by the Company from time to time. You must at all times, treat the Manuals and the information in them, as well as any other materials created for or approved by use for the operation of your Hammer & Nails® Location Franchise, as confidential, as required by the Franchise Agreement. You must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise make them available to any unauthorized person. The Manuals will remain our sole property and must be returned in the event that you cease to be a Hammer & Nails® Location Franchise owner.

We may from time to time revise the contents of the Manuals, and you must comply with each new or changed provision in the Manuals. You must ensure that our Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained by us at ~~Company's~~ [homeour corporate](#) office will be controlling.

Confidential Information

The Franchise Agreement requires you to maintain all Confidential Information of the Company as confidential both during and after the term of the Agreement. “Confidential Information” includes all information, data, techniques and know-how designated or treated by the Company as confidential and includes the Manuals. You may not at any time disclose, copy or use any Confidential Information except as specifically authorized by the Company. Under the Agreement, you agree that all information, data, techniques and know-how developed or assembled by you or your employees or agents during the term of the Franchise Agreement and relating to the System will be deemed a part of the Confidential Information protected under the Franchise Agreement. See Item 15 below concerning your obligation to obtain confidentiality and non-competition agreements from persons involved in the Hammer & Nails® Location Franchise.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

When you sign the Franchise Agreement, you must designate an individual to serve as your “Principal Owner.” The Principal Owner must be an individual holding an ownership interest in you, or, if you are an individual you will be the Principal Owner. The Principal Owner must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement. We expect the Principal Owner to be the primary point of contact throughout the construction, pre-sales, training and opening of the business, at minimum, including the first six months of operation once open to the public, which will take a substantial amount of time likely to equal a 40+ hour work week. Your hours may vary based on your personal experience and skills.

If you wish to appoint a General Manager, that person must devote his or her full-time best efforts to the supervision of your operations under the Franchise Agreement, as if they were the Principal Owner. While there are no written restrictions on who may act as your General Manager, we expect that you will select someone that will always act in a manner that is protective of the franchise brand and the goodwill of the Marks. Without our written consent, your Principal Owner may not engage in any business similar in nature to Hammer & Nails other than the development and operation of your Hammer & Nails® Location Franchise(s). Your Principal Owner must satisfy our training requirements and our other standards and must personally guaranty your performance under the Franchise Agreement. Your Principal Owner will be individually, jointly and severally bound by all of your obligations and the obligations of the Principal Owner and an Owner under the Franchise Agreement. (See Item 1).

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products you use or sell at the Hammer & Nails® Location Franchise must conform to our standards and specifications. (See Item 8). These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Hammer & Nails® Location Franchise.

You must offer and sell only the products and services that we have expressly approved in writing, and you must offer and sell each of the products and services we authorize for sale at Hammer & Nails® Location Franchises. You must stop selling any products or services that we disapprove in writing. There is no limit on our right to add or remove items from our standard list of products and services, and you must promptly comply with any changes that we make to that list. You must perform all services using the procedures contained in our Manuals or other written instructions. You must not use or offer nonconforming products or services unless we first give you our written consent. You must open and operate the Hammer & Nails® Location Franchise during

the hours we specify in the Manuals or otherwise in writing. Before you offer alcohol and wine at your Location, you must obtain our prior approval, and obtain any and all necessary governmental permits.

We may make available to you and may require you to purchase from us for resale to your customers' certain merchandise, like clothing or other memorabilia, in amounts necessary to meet your customer demand.

You may only install and offer at your Hammer & Nails® Location Franchise such equipment and machines as we have expressly approved in the Manuals or otherwise in writing.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

You may not sell any products at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products unless you receive our prior written consent to such sale. Any such sale must be conducted in accordance with our System Standards. We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or the customers to whom you may offer or sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

[Unit Franchise Agreement](#)

THE FRANCHISE RELATIONSHIP		
This table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.		
Provision	Section in Franchise Agreement	Summary
a. Length of the term of the franchise	Section IV.A	10 year initial term.
b. Renewal or extension of the term	Section IV.B	One additional 10-year term.
c. Requirements for you to renew or extend	Section IV.B	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 renewal, including signing our then-current Franchise Agreement, which may contain materially different terms and conditions from your original contract, except that the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees. Other requirements are: Give written notice; update required items; not be in default; pay all

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Sections XI.C.(2)	For 2 years you may not divert any of your business or customers to a competitor or have an interest in any business that is similar to the Location Franchise, within the Protected Area, within a 50-mile radius of the Location, or within a 50-mile radius of any Hammer & Nails® Location Franchise then in existence or under construction.
s. Modification of the agreement	Sections XI.A. and XX.O.	Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended.
t. Integration/merger clause	Section XX.Z.	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Nothing in the Franchise Agreement or in any other written agreement is intended to disclaim representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Sections XX.F and XX.G.	Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except for actions we bring for monies owed, injunctive or other equitable relief, or relief relating to real property.
v. Choice of forum	Sections XX.F. and XX.G.	Unless contrary to applicable state law: Mediation at the American Arbitration Association offices nearest to our principal place of business, except actions for monies owed, injunctive relief, or relief related to real property, the Marks or confidentiality information. Venue for any litigation is the state courts in Sacramento Los Angeles County, California, and Federal District Courts in the Eastern District of California.
w. Choice of law	Section XX.H.	Unless contrary to applicable state law, California law.

~~The Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. (See Franchise Agreement Section XX). We recommend that you carefully review all of these provisions with a lawyer.~~

~~A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.~~

Area Development Agreement

<u>THE FRANCHISE RELATIONSHIP</u>		
<u>This table lists important provisions of the Area Development Agreement. You should read these provisions in the agreements attached to this Disclosure Document.</u>		
<u>Provision</u>	<u>Section in Area Development Agreement</u>	<u>Summary</u>
<u>a. Length of the term of the franchise</u>	<u>Section 3.04</u>	<u>Varies based on number of Unit Franchises that are development under the ADA</u>
<u>b. Renewal or extension of the term</u>	<u>Not Applicable</u>	
<u>c. Requirements for you to renew or extend</u>	<u>Not Applicable</u>	
<u>d. Termination by you</u>	<u>Not Applicable</u>	<u>Not Applicable (your termination rights are subject to state law).</u>
<u>e. Termination by us without cause</u>	<u>Not Applicable</u>	<u>Not Applicable.</u>
<u>f. Termination by us with cause</u>	<u>Section 3.03 and Section 9</u>	<u>We may terminate on your default.</u>
<u>g. "Cause" defined – curable defaults</u>	<u>Section 9.01.A and Section 9.01.C</u>	<u>45 Day Cure Period for failure to meet Development Schedule; 30-day cure for certain defaults</u>
<u>h. "Cause" defined – defaults which cannot be cured</u>	<u>Section 9.01.B</u>	<u>No cure period for unauthorized assignment, conviction of specific crimes and offenses; consistent failure to pay amounts due; insolvency/bankruptcy, assignment to creditors, abandonment of development, and material default of ADA.</u>
<u>i. Your obligations on termination/non-renewal</u>	<u>Sections 10 and 11</u>	
<u>j. Assignment of contract by us</u>	<u>Section XV.A.</u>	<u>We may transfer our rights without restriction.</u>
<u>k. "Transfer" by you - defined</u>	<u>Sections XV.B. and XV.C.</u>	<u>You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the Location Franchise without our consent.</u>
<u>l. Franchisor approval of transfer by franchisee.</u>	<u>Not Applicable</u>	
<u>m. Conditions for our approval of transfer by you</u>	<u>Not Applicable</u>	
<u>n. Our right of first refusal to acquire your business</u>	<u>Not Applicable</u>	
<u>o. Our option to purchase your business</u>	<u>Not Applicable</u>	
<u>p. Your death or disability</u>	<u>Not Applicable</u>	
<u>q. Non-competition covenants during the term of the franchise</u>	<u>Not Applicable</u>	
<u>r. Non-competition covenants</u>	<u>Section 11</u>	<u>2 year non-compete</u>

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Area Development Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

<u>Provision</u>	<u>Section in Area Development Agreement</u>	<u>Summary</u>
<u>after the franchise is terminated or expires</u>		
<u>s. Modification of the agreement</u>	<u>Section 16.06</u>	<u>Changes require mutual agreement.</u>
<u>t. Integration/merger clause</u>	<u>Not Applicable</u>	
<u>u. Dispute resolution by arbitration or mediation</u>	<u>Section 15</u>	<u>Claims, controversies or disputes from or relating to ARA must be mediated prior to litigation.</u>
<u>v. Choice of forum</u>	<u>Section 15</u>	<u>Los Angeles County, California, and Federal District Courts in the District of California.</u>
<u>w. Choice of law</u>	<u>Section 15</u>	<u>Unless contrary to applicable state law, California law.</u>

ITEM 18

PUBLIC FIGURES

With our prior written consent you may use the name of a public figure for purposes of promotional efforts, advertising or endorsements.. No public figure has any investment in the System or us.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following information is provided for the purpose of helping you evaluate the potential earnings capability of a Hammer & Nails® Unit franchise or “Shop”. Please carefully read all information in this Item 19, including the statements following the table, which explain the information provided in the tables below and the limitations on this and the other information contained in this Item 19.

The chart below showing the actual gross revenue figures for 15 Hammer & Nails® Shops (Qualifying Franchised Outlets) which have been open for business at least 12 full months as of December 31, ~~2022~~2023. Shops that opened in ~~2022~~2023 are not included in any of the charts including below.

GROSS REVENUES OF FRANCHISED OUTLETS

Qualifying Franchised Outlets - Gross Sales						
<u>High</u>	<u>Top 25%</u>	<u>Average</u>	<u>Median</u>	<u>Low</u>	<u># of Shops</u>	

2019	\$453,052	\$425,345	\$322,057	332,600	\$193,380	10
2020	\$646,340	\$383,449	\$344,592	\$338,642	\$111,820	10
2021	\$974,685	\$863,377	\$563,068	\$421,450	\$185,390	11
2022	\$1,453,663	\$1,139,605	\$712,962	\$696,563	\$308,491	15
<u>2023</u>	<u>\$1,669,013</u>	<u>\$1,313,402</u>	<u>\$847,065</u>	<u>\$807,829</u>	<u>\$314,488</u>	<u>20</u>

Notes:

(1) Chart 1 shows the historical financial performance reflecting the actual Gross Revenues for 2019 through ~~2022~~2023 for the Hammer & Nails® Shops, or Qualifying Franchised Outlets, that were open for business at least twelve (12) full months the applicable years. For the purpose of this Item 19, “Gross Revenues” is the total selling price of all services and products and all income of every other kind and nature related to the Hammer & Nails® business, whether for cash or credit and regardless of collection in the case of credit. “Gross Revenues” include: (a) All proceeds from the sale of memberships, coupons, gift cards/certificates or vouchers; but when the coupons, gift cards/certificates or vouchers are redeemed, but does not include the retail value of the services provided; and (b) revenues from any vending machines or other equipment, machines or devices installed in the Hammer & Nails® business. “Gross Revenues” does not include (i) sales taxes collected from customers, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to employees by customers of the Hammer & Nails® business or paid and turned over to employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Hammer & Nails® business or having any material effect upon the ongoing operation of the Hammer & Nails® business.

(3) Although the square footage of the Shops reporting above varies from 1100 +/- square feet to ~~2500~~2200 +/- square feet, each Shop offers substantially the same products and services as your franchised Shop will offer to customers.

(5) The information in the chart was compiled based on reported revenues submitted to us by Hammer & Nails® franchisees.

This information is current through December 31, ~~2022~~2023. The information in the chart is unaudited and is based on the information that has been reported to us by our franchisees.

Written substantiation for the financial performance representations made in this Item 19 will be made available to the prospective franchisee upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Aaron Meyers, President ~~and Chief Executive Officer~~, 101 Parkshore Drive, Suite 100, Folsom, CA 95630, (916) 932-2150, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION (Location Franchises)

Table No. 1
Systemwide Outlet Summary
For Years ~~2020~~2021 to ~~2022~~2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	11	11	0
	2021	11	15	+4
	2022	15	21	+6
	<u>2023</u>	<u>21</u>	<u>31</u>	<u>+10</u>
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Outlets	2020	11	11	0
	2021	11	15	+4
	2022	15	21	+6
	<u>2023</u>	<u>21</u>	<u>31</u>	<u>+10</u>

Table No. 2
Transfers of Outlets From Franchises to New Owners
(Other than the Franchisor)
For Years ~~2020~~2021 to ~~2022~~2023

State(s)	Year	Number of Transfers
California	2020	0
	2021	1
	2022	0
	<u>2023</u>	<u>1</u>
Texas	2020	0
	2021	1
	2022	0
	<u>2023</u>	<u>1</u>
District of Columbia	2020	0
	2021	0
	2022	1
	<u>2023</u>	<u>0</u>
Total	2020	0
	2021	2
	2022	1
	<u>2023</u>	<u>2</u>

Table No. 3
Status of Franchised Outlets
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
California	2020	7	1	1	1	1	1	7
	2021	7	1	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	<u>2023</u>	<u>8</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9</u>
Connecticut	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Florida	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Kansas	<u>2021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2023</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Maryland	2020	10	0	10	0	0	10	0
	<u>2021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Nevada	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Oregon	2020	1	0	0	0	0	1	0
	<u>2021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	2021							
	2022	0	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Texas	2020	2	0	0	00	0	0	2
	2021	2	0	<u>0</u>	0	0	0	2
	2022	2	0	0	0	0	0	2
	<u>2023</u>	<u>2</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Ohio	2020	0	1	0	0	0	0	1
<u>Ohio</u>	2021	1	2	0	0	0	0	3
	2022	3	2	0	0	0	0	5
	<u>2023</u>	<u>5</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
Virginia	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
All other States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	11	1	1	0	0	0	11
<u>Total</u>	2021	11	4	0	0	0	0	15
	2022	15	6	0	0	0	0	21
	<u>2023</u>	<u>21</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31</u>

Table No. 4
Status of Company-Owned Outlets
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Table No. 5
Projected Openings as of December 31, ~~2022~~2023

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in Fiscal Year 2023 2024	Projected New Company-Owned Outlets in Fiscal Year 2023 2024
Arizona	1	1	0
California	7	2 4	0
Connecticut	2 3	1	0
Florida	2 12	4	0
Georgia	2 1	2	0
Indiana	1	0	0
Illinois	1	1	0
Maryland	0	0	0
Nevada	2 1	2	0
New Jersey	2	2	0
New York	0 1	0	0
North Carolina	1 2	1	0
Ohio	13 10	6	0
Oklahoma	<u>0</u>	<u>1</u>	<u>0</u>
Oregon	0 1	0	0
Pennsylvania	1	1	0
South Carolina	0	0	0
Tennessee	1	0	0
Texas	4 2	2	0
Virginia	3	3	0
Washington, D.C.	6	1	0
Total	49 58	29 32	0

Exhibit G lists the names of all of our operating Hammer & Nails® Location Franchisees and their addresses and telephone numbers as of December 31, ~~2022~~2023. Exhibit G lists the Hammer & Nails® Location Franchisees who have signed Franchise Agreements for which were not yet operational as of December 31, ~~2022~~2023, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every Location Franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system being offered.

None of our Location Franchisees have signed confidentiality clauses with us during the last three years which would restrict their ability to speak openly about their experience with us.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit D hereto are our audited financial statements covering the years ended December 31, ~~2022~~2023, December 31, ~~2021~~2022 and December 31, ~~2020~~2021.

ITEM 22

CONTRACTS

- Franchise Agreement with State-Specific Addenda and Exhibits (Exhibit A)
- General Release (Exhibit E)
- [Area Development Agreement \(Exhibit H\)](#)

ITEM 23

RECEIPTS

Exhibit H includes Receipts acknowledging that you received this Disclosure Document. Please return one Receipt to us and retain the other for your records. If you are missing these Receipts, please contact us at this address or telephone number:

The Hammer & Nails Salon Group, LLC
a California limited liability company
101 Parkshore Drive, Suite 100
Folsom, CA 95630
Telephone: (916) 932-2150
Franchise@hammerandnailsgrooming.com



THE HAMMER & NAILS SALON GROUP, LLC

FRANCHISE AGREEMENT

SUMMARY PAGE	
1. Franchisee	_____
2. Initial Franchise Fee	_____
3. Development Area	_____
4. Business Location	_____
5. Opening Deadline	270 365 days after Effective Date
6. Principal Agent	_____
7. Franchisee's Address	_____

Agreement Number: _____

Date of Agreement

other on-site evaluation or information as we may deem appropriate and necessary; provided, that we will not provide an on-site evaluation or information for any proposed site before receiving all required information and materials required pursuant to Section III.A(2) below and, in our discretion, before receiving such information for multiple proposed sites.

(2) Before acquiring a site for the Hammer & Nails® Franchise, you must submit to us, in the form specified by us, a description of the site, evidence satisfactory to us demonstrating that the site satisfies our site selection guidelines, and such other information and materials as we may reasonably require, including, but not limited to, a final, complete copy of the ~~lease~~[letter of intent \(LOI\)](#) (which must incorporate a rider in substantially the form attached hereto as Exhibit G) or contract of sale for the site for your Hammer & Nails® Franchise. Such lease or contract for sale may not be signed by you unless it includes a rider in substantially the form attached hereto as Exhibit G and is submitted to, and approved by, us in advance.

(3) We shall have fifteen (15) days after receiving all required site information to accept or reject, in our reasonable discretion, the proposed site as the location for your Hammer & Nails® Franchise. No site may be used for a Hammer & Nails® Franchise unless it is first accepted in writing by us, and you shall not make any binding commitment with respect to a site for your Hammer & Nails® Franchise unless the site is first accepted in writing by us. If we accept multiple sites for the Hammer & Nails® Franchise, you shall notify us in writing within five (5) days of the date of such acceptance of the site that you intend to acquire for the Hammer & Nails® Franchise.

(4) Promptly following our acceptance of the site for your Hammer & Nails® Franchise, you shall acquire the site by purchase or lease, at your expense. You agree to furnish to us a copy of the executed lease or contract of sale within ten (10) days after execution.

(5) After we accept the site and you acquire the site pursuant to this Agreement, the address of the site shall be entered on Exhibit C to this Agreement as the Franchise Location and the Protected Area around the Franchise Location will be described on Exhibit C.

(6) If you are not able to locate a site that is approved by us within 90 days after signing this Agreement then you will be in default, and we may, at our option, terminate this Agreement. [Notwithstanding the foregoing, we will not unreasonably withhold our consent to an extension of this time for up to sixty \(60\) additional days provided that you are using diligent efforts.](#)

B. Franchise Location; Relocation. You have been granted the right to operate a Hammer & Nails® Franchise at the Franchise Location listed in Exhibit C to this Agreement. You must not relocate the Hammer & Nails® Franchise without our express prior written consent. If you are unable to continue the operation of the Hammer & Nails® Franchise at the Franchise Location because of the occurrence of an event of Force Majeure resulting in the loss or destruction of the premises for your Franchise Location, you may request our consent to relocate the Hammer & Nails® Franchise to another location in the Protected Area. Such request must be submitted to us as soon as possible (but in no event longer than 10 days) after the date you discover you will be unable to continue the operation of the Hammer & Nails® Franchise at the Franchise Location. If we grant you the right to relocate the Hammer & Nails® Franchise, you must comply with such reasonable site selection and construction procedures as we may require. We will allow relocation of your Franchise if the newly proposed site meets the requirements we impose on other new Location franchises, and unless you are in default of your Franchise Agreement or the proposed site adversely impacts an existing or proposed Location franchise.

C. Licenses; Permits. You are responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Hammer & Nails® Franchise at the Franchise Location, and you must

K. Prices of Services and Products Sold at Your Hammer & Nails® Franchise. We may from time to time establish maximum, minimum or other pricing requirements for the services and products to be sold at your Hammer & Nails® Franchise to the fullest extent allowed by law. Any failure to comply with this Section will be a material breach of this Agreement.

IX. ADVERTISING

A. Local Advertising. Recognizing the value of advertising and marketing to the goodwill and public image of Hammer & Nails® Franchises, you agree to spend at least an amount equal to \$1,500 per month for advertising and promotion of the Hammer & Nails® Franchise in the Protected Area. In our sole discretion, we may increase the amount you must spend on local marketing in the Protected Area upon not less than thirty (30) days' written notice to you. At our request, you must submit to us a report (including substantiating receipts) detailing your local advertising expenditures during the time period specified in the request. In addition, we have the right to review your books and records from time to time to determine your expenditures for local advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts to us to apply to local advertising in the Protected Area.

B. Cooperatives. We have the right to designate any geographic area in which two (2) or more company-owned or franchised Hammer & Nails® Franchises are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). If we do, each Cooperative will be organized and governed as, and will begin operation on a date, we determine. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising contributions. We reserve the right to require all Cooperatives to be formed as legal entities under applicable state laws. If a Cooperative is established for a geographic area that includes all or part of the Protected Area, you must become a member of the Cooperative, execute all applicable Cooperative documents promptly upon our request, and participate in the Cooperative by contributing the amounts required by the Cooperative's governing documents, which may require contributions of at least two percent (2%) of the Hammer & Nails® Location franchise's Gross Sales. You must submit to the Cooperative and to us all statements and reports that we or the Cooperative may require. Your Cooperative contributions ~~will~~ not may be applied toward partial satisfaction of your local advertising requirement under Section IX.A. All or a portion of your contributions to a Cooperative may be used to establish and/or maintain a website(s) focused on promoting the System in and around your market area. Cooperative contributions will be maintained and administered under the Cooperative's governing documents and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. The Cooperative governing documents will be available for review by all of the Cooperative members. Cooperative members will be entitled to a report on an annual basis on how the Cooperative's funds are being spent.

C. Advertising Fund. We have established an advertising program fund (the "Advertising Fund" or "Fund"). You agree to make periodic contributions to the Fund of two percent (2%) of the Hammer & Nails® Franchise's Gross Sales. Your required contributions to the Fund are in addition to amounts you are required to spend for local advertising under Section IX.A, and in addition to any amounts you are required to contribute to any Cooperative. Fund contributions will be due and payable at the same time and in the same manner that royalty fee payments are due and payable.

(1) We will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation thereof. You agree that the Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an internet website;

B. Deductibles; Waiver of Subrogation. You may elect to have reasonable deductibles in connection with the coverage required under Sections XIII.A(1)-(7) hereof. Such policies shall also include a waiver of subrogation in favor of us, our Affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them.

C. Builder's Risk Insurance. In connection with any construction, renovation, refurbishment or remodeling of the Hammer & Nails® Franchise, you must maintain Builder's Risks/Installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us.

D. No Limitation of Other Obligations. Your obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Article XVI. of this Agreement.

E. Additional Insured Designation. All insurance policies required under this Agreement, with the exception of workers' compensation, shall name us and our Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors (including the Area Representative for your territory, if applicable), servants and employees of each of them, as additional insureds, and shall expressly provide that our and their interest shall not be affected by your breach of any policy provisions. All public liability and property damage policies shall contain a provision that we and our Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of your negligence or that of your servants, agents or employees.

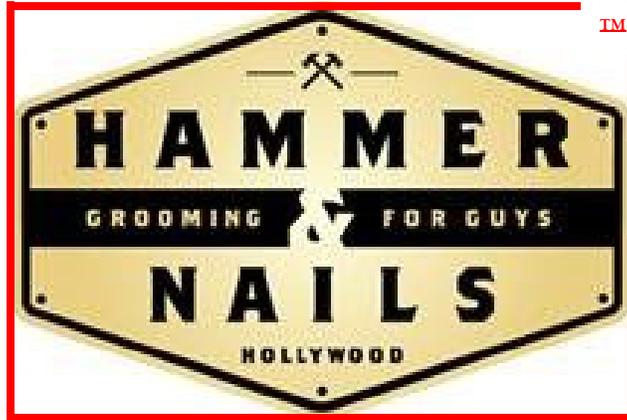
F. Certificates of Insurance. Upon the execution of this Agreement and thirty (30) days before the expiration of any policy required under this Agreement, you agree to deliver to us certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required under this Article XIII. In addition, if we request, you agree to deliver to us a copy of the insurance policy or policies required. All required insurance policies must expressly provide that we are entitled to no less than thirty (30) days' prior written notice in the event of a material alteration to or cancellation of the policies.

G. Remedies. If you fail to procure or maintain the insurance required by this Agreement, we will have the right and authority (but no obligation) to procure such insurance and to charge to you the cost of such insurance, together with a reasonable fee for our expenses, which shall be payable by you upon demand. The foregoing remedies are in addition to any other remedies we may have at law or in equity.

XIV. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. You agree to promptly pay when due all Taxes levied or assessed and all accounts and other indebtedness of every kind incurred by you in connection with the Hammer & Nails® Franchise. You are solely liable for the payment of all Taxes and agree to indemnify us for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether or not correctly or legally assessed. You will pay to us when due any federal, state or local sales, gross receipts, use, value added, excise or other taxes levied or assessed against us on all fees and other payments paid to us under this Agreement, including any ~~income tax~~, franchise or other tax levied or assessed against us for the privilege of doing business in your state.

B. Disputed Liability. If there is a bona fide dispute as to your liability for Taxes or other indebtedness, you may contest the validity or the amount of the Tax or indebtedness in accordance with the



THE HAMMER & NAILS SALON GROUP, LLC

OPERATIONS MANUAL

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THE HAMMER & NAILS SALON GROUP, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

**THE HAMMER & NAILS SALON GROUP, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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Independent Auditor's Report

To the Members
The Hammer & Nails Salon Group, LLC

Opinion

We have audited the accompanying financial statements of The Hammer & Nails Salon Group, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income (loss) and members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hammer & Nails Salon Group, LLC as of December 31, 2023 and 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Hammer & Nails Salon Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Hammer & Nails Salon Group, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Hammer & Nails Salon Group, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Hammer & Nails Salon Group, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Velex & Hardy

March 14, 2024
Las Vegas, NV

THE HAMMER & NAILS SALON GROUP, LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash	\$ 900,907	\$ 514,582
Accounts receivable, net	126,366	140,886
Current maturities of deferred contract costs	174,652	130,563
Prepaid expenses	44,794	-
Total current assets	<u>1,246,719</u>	<u>786,031</u>
Property and Equipment, net	10,034	12,712
Other Assets:		
Restricted cash	20,459	21,423
Accounts receivable, long-term	167,499	212,500
Deferred contract costs, net of current	1,140,946	918,801
Due from member	12,500	12,500
Due from related party	147,070	150,000
Total other assets	<u>1,488,474</u>	<u>1,315,224</u>
Total Assets	<u><u>\$ 2,745,227</u></u>	<u><u>\$ 2,113,967</u></u>
LIABILITIES AND MEMBERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 55,356	\$ 117,717
Accrued expenses	262,698	131,706
Current maturities of deferred franchise fees	622,643	588,388
Current maturities of long-term debt	3,313	2,930
Total current liabilities	<u>944,010</u>	<u>840,741</u>
Long-Term Liabilities:		
Deferred franchise fees, net of current	4,184,212	3,726,266
Long-term debt, net of current	143,757	147,070
Total long-term liabilities	<u>4,327,969</u>	<u>3,873,336</u>
Total Liabilities	5,271,979	4,714,077
Members' Deficit	<u>(2,526,752)</u>	<u>(2,600,110)</u>
Total Liabilities and Members' Deficit	<u><u>\$ 2,745,227</u></u>	<u><u>\$ 2,113,967</u></u>

See accompanying notes to the financial statements.

THE HAMMER & NAILS SALON GROUP, LLC
STATEMENTS OF INCOME (LOSS) AND MEMBERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenue	\$ 3,026,307	\$ 1,753,119
Operating Expenses:		
Advertising	296,036	191,034
Auto	39,848	22,455
Conferences	29,116	65,726
Depreciation	2,678	682
Employee benefits	2,450	5,479
Insurance	32,081	28,695
Legal and professional fees	52,249	44,869
Office expenses and other	114,346	143,361
Outside services	174,652	130,563
Royalty expense	477,961	291,113
Salaries, wages and related	1,175,671	895,192
Taxes and licenses	20,175	7,972
Technology	174,924	127,173
Training	172,375	57,892
Travel and meals	74,330	39,513
Total operating expenses	<u>2,838,892</u>	<u>2,051,719</u>
Income (Loss) from Operations	<u>187,415</u>	<u>(298,600)</u>
Other Income (Expense):		
Rebate income	84,038	27,999
Other income	25,125	-
Franchise territory repurchase	(210,891)	(39,000)
Interest expense	(5,601)	(5,601)
Other expense	(12,308)	-
Total other income (expense)	<u>(119,637)</u>	<u>(16,602)</u>
Net Income (Loss)	67,778	(315,202)
Members' Deficit, Beginning of Year	(2,600,110)	(2,290,488)
Member contributions	5,580	5,580
Members' Deficit, End of Year	<u>\$ (2,526,752)</u>	<u>\$ (2,600,110)</u>

See accompanying notes to the financial statements.

THE HAMMER & NAILS SALON GROUP, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Net loss	\$ 67,778	\$ (315,202)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	2,678	682
Changes in:		
(Increase) decrease in accounts receivable	59,521	(12,116)
(Increase) decrease in deferred contract costs	(266,234)	(256,023)
(Increase) decrease in prepaid expenses	(44,794)	-
Increase (decrease) in accounts payable	(62,361)	11,630
Increase (decrease) in accrued expenses	130,992	93,230
Increase (decrease) in deferred franchise fees	492,201	729,843
Net cash provided by operating activities	<u>379,781</u>	<u>252,044</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	-	(10,559)
Net cash used in investing activities	<u>-</u>	<u>(10,559)</u>
Cash Flows From Financing Activities:		
Member contributions	5,580	5,580
Net cash provided by financing activities	<u>5,580</u>	<u>5,580</u>
Net Change in Cash	385,361	247,065
Cash, Beginning of Year	<u>536,005</u>	<u>288,940</u>
Cash, End of Year	<u>\$ 921,366</u>	<u>\$ 536,005</u>
<u>Supplemental disclosure of non-cash financing activities:</u>		
Payment of interest by related party	<u>\$ 5,111</u>	<u>\$ 5,601</u>
Payment of principal portion of debt by related party	<u>\$ 2,930</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

THE HAMMER & NAILS SALON GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – NATURE OF THE BUSINESS

The Company was organized in February 2015 as a limited liability company under the laws of the state of California. The principal activity of the Company is the sale of franchises that operate a retail salon business that specializes in barbering, straight razor shaves, and hand and foot grooming, along with other grooming services, primarily for men under the name “Hammer & Nails”.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Hammer & Nails Salon Group, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

For purposes of the balance sheet and the statement of cash flows, restricted cash consists of amounts contributed by franchisees and area representatives which has been restricted for the preparation of marketing materials and the implementation of advertising programs.

THE HAMMER & NAILS SALON GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash (Continued)

The following table provides a reconciliation of cash and restricted cash within the balance sheets that sum to the totals of the same amounts presented in the statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash	\$ 900,907	\$ 514,582
Restricted cash	<u>20,459</u>	<u>21,423</u>
Total cash and restricted cash presented in the statements of cash flows	<u><u>\$ 921,366</u></u>	<u><u>\$ 536,005</u></u>

Accounts Receivable

The Company's receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2023 and 2022, the Company did not have an allowance reported.

As of December 31, accounts receivable consisted of the following balances:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 293,865	\$ 353,386	\$ 341,270

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Expenditures for routine maintenance and repairs on property and equipment are charged to expense.

Revenue Recognition

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each franchise awarded. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

THE HAMMER & NAILS SALON GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred franchise fees	\$ 4,806,855	\$ 4,314,654	\$ 3,584,811
Less: current maturities	<u>(622,643)</u>	<u>(588,388)</u>	<u>(379,945)</u>
	<u>\$ 4,184,212</u>	<u>\$ 3,726,266</u>	<u>\$ 3,204,866</u>

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2024	\$ 622,643
2025	622,643
2026	622,643
2027	609,887
2028	588,680
Thereafter	<u>1,740,359</u>
	<u>\$ 4,806,855</u>

Continuing fees are recognized monthly, as they are earned.

Brand building activities, such as marketing and advertising, which benefit the franchisees are highly interrelated with the franchise right and therefore not distinct. As a result, revenues for the brand building fund are recognized on a monthly basis, as they are billed.

The Company incurs incremental costs in the course of obtaining franchise agreements. The Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. These incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from the intellectual property.

The Company's contract assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred contract costs	\$ 1,315,598	\$ 1,049,364	\$ 793,341
Less: current maturities	<u>(174,652)</u>	<u>(130,563)</u>	<u>(91,904)</u>
	<u>\$ 1,140,946</u>	<u>\$ 918,801</u>	<u>\$ 701,437</u>

THE HAMMER & NAILS SALON GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

As of December 31, the timing and recognition of revenue was as follows:

	<u>2023</u>	<u>2022</u>
Services transferred at a point in time	\$ 1,862,554	\$ 1,217,169
Services transferred over time	<u>1,163,753</u>	<u>535,950</u>
	<u>\$ 3,026,307</u>	<u>\$ 1,753,119</u>

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

Advertising

Advertising costs are expensed when incurred or the first time such advertisement appears. For the years ended December 31, 2023 and 2022, total advertising costs were \$296,036 and \$191,034, respectively.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Members' deficit was unchanged due to these reclassifications.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the members. Therefore, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2023, the tax years that remain subject to potential examination by taxing authorities begin with the year ended December 31, 2020.

Recent Accounting Pronouncements

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. Under the new standard, the existing incurred loss model was replaced with a current expected credit loss (CECL) model for most receivables and various other financial instruments. Receivable assets under the standard are presented at the net amount expected to be collected through an allowance for credit losses. Expanded disclosures are also required. This ASU is effective for the Company for the year ended December 31, 2023. Management of the Company doesn't believe this guidance has a material impact to the Company's financial statements.

THE HAMMER & NAILS SALON GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 3 – DUE FROM MEMBER

From time to time, the Company is involved in loan transactions with its members. As of December 31, 2023 and 2022, the Company had an outstanding loan balance due from one of its members of \$12,500 and \$12,500, respectively. Loans with members are due on demand and bear no interest.

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 60,702	\$ 60,702
Less: accumulated depreciation	<u>(50,668)</u>	<u>(47,990)</u>
	<u>\$ 10,034</u>	<u>\$ 12,712</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$2,678 and \$682, respectively.

NOTE 5 – LONG-TERM DEBT

As of December 31, long-term debt consisted of the following:

	<u>2023</u>	<u>2022</u>
In July 2020, the Company was granted an Economic Injury Disaster Loan (EIDL) from a financial institution in the aggregate amount of \$150,000, pursuant to Section 7(b) of the Small Business Act, as amended. The loan matures in July 2050 and bears interest at a fixed rate of 3.75% per annum, payable monthly commencing in February 2023. The loan may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company.	\$ 147,070	\$ 150,000
Less: current maturities	<u>(3,313)</u>	<u>(2,930)</u>
	<u>\$ 143,757</u>	<u>\$ 147,070</u>

As of December 31, long-term debt matures as follows:

2024	\$ 3,313
2025	3,439
2026	3,571
2027	3,707
2028	3,849
Thereafter	<u>129,191</u>
	<u>\$ 147,070</u>

THE HAMMER & NAILS SALON GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 6 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Company loaned \$150,000 to its BPL Supplies, LLC (the Related Party), its supply chain company that is also a commonly controlled entity. The Related Party paid \$8,041 and \$5,609 of principal and interest to the SBA for the EIDL loan on the Company's behalf during 2023 and 2022, respectively. As of December 31, 2023 and 2022, the balance due from the Related Party was \$147,070 and \$150,000, respectively.

NOTE 7 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 14, 2024, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.

Ronald Guthrie - Area Representative (NM and TX)

Mr. Guthrie has been an Area Representative for Hammer & Nails® since July 2016. He has also been the owner of Guthrie Ventures, Inc. in Houston, TX since August 2017. In addition, he has been the owner of Guthrie Enterprises in Houston, TX since November 2014 and of Guthrie Development, LLC in Houston, TX since October 2009.

Nick Nicholas Bertagna - Area Representative (Indianapolis, IN, OH, TN, KY, NC & Pittsburgh, PA)

Mr. Bertagna has been an Area Representative for Hammer & Nails® since March 2019. Prior to Hammer & Nails he was the Director of Strategic Accounts for Cardinal Health in Dublin, OH from March 2001 until August 2018. Mr. Bertagna also owns and operate Hammer & Nails locations in the Columbus OH area.

Michael Testa – Area Representative (NC)

Mike has been an Area Representative for Hammer & Nails in North Carolina since January of 2022. Mike also owns three licenses for Hammer & Nails shops in Ohio.

Gregory Rupp – Area Representative (TN & KY)

Mr. Rupp has been an Area Representative with Hammer & Nails in Tennessee and Kentucky since July 2022.

Jeffery Fuchs - Area Representative (PA)

Mr. Fuchs has been an Area Representative for Hammer & Nails® since April 2017. He has also been self-employed as a realtor in Richboro, PA since January 2003.

Don Yurick – Area Representative (NH, MA, RI, CT, NY and NJ)

Mr. Yurick has been an Area Representative for Hammer & Nails since April of 2021. Don also owns and operates the Westport CT Hammer & Nails Location.

Subadra Gutti – Area Representative (Eastern FL)

Mrs. Gutti has been an Area Representative for Hammer & Nails since December of 2021. Subadra also owns and operates the Windermere, FL Hammer & Nails location with her business partner Madhavi.

Madhavi Kasu – Area Representative (Eastern FL)

Mrs. Kasu has been an Area Representative for Hammer & Nails since December of 2021. Madhavi also owns and operates the Windermere, FL Hammer & Nails location with her business partner Madhavi.

Robert F. Muller Jr. – Area Representative (Dallas TX)

Mr. Muller has been an Area Representative for Hammer & Nails since August 2023. Mr. Muller has been the Chief Strategy Officer for Behringer in Dallas, TX from July 2011 to the present.

Franchisees With Opened Outlets as of December 31, ~~2022~~2023

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
1	California	Echo Park	5 South Management Group	2112 W. Sunset Blvd., Ste. I Los Angeles, CA 90026	213-277-4045
2	California	El Segundo	E Chiabai	730 S. Allied Way El Segundo, CA 90245	310-469-9234
3	California	Folsom/Nor Cal Region	H&N Folsom I, LLC	195 Placerville Rd. Folsom, CA 95630	916.984.1111
4	California	Laguna Niguel/Orange	Shepherd Salons, LLC	32411 Golden Lantern Unit H Laguna Niguel, CA 92677	949-340-3559
5	California	Rancho Cucamonga	December Enterprise, LLC	8048 Monet Ave Suite 100 Rancho Cucamonga <u>Cucamonga</u> , CA 91739	909-687-0704
6	California	Roseville	Hoasanna Partners LLC <u>H&N Roseville</u>	1565 Eureka Road Suite 7 Roseville <u>Roseville</u> , CA 95661	916-936-0111
7	California	West Hollywood	Groom Room Ventures, LLC	7141 Santa Monica Blvd Suite 100 West Hollywood, CA 90046	323-651-1458
8	California	Willow Glen	JAG HN LLC	1151 Lincoln Ave San Jose CA 95125	408-215-1222
<u>9</u>	<u>California</u>	<u>Brea</u>	<u>Bittel Enterprises</u>	<u>375 W Birch Street Unit 2</u> <u>Brea, CA 92808</u>	<u>714.282.1008</u>
<u>9</u> <u>0</u>	Connecticut	Westport	H&N CT Westport, LLC	606 Post Road East #205 Westport, CT 06880	203-800-4120
<u>11</u>	<u>Connecticut</u>	<u>Darien</u>	<u>Taurus Franchise Inc.</u>	<u>88 Heights Road</u> <u>Darien, CT 06820</u>	<u>203-779-0988</u>
<u>12</u>	<u>Florida</u>	<u>Naples</u>	<u>Sander H&N Ventures</u> <u>LLC</u>	<u>2500 Tamiami Trail No Suite</u> <u>116 Naples, FL 34103</u>	<u>239-316-0008</u>
<u>13</u>	<u>Florida</u>	<u>Windermere</u>	<u>H&N FL, LLC</u>	<u>4750 The Grove Drive Suite</u> <u>132 Windermere, FL 34786</u>	<u>407-917-8682</u>

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
14	Georgia	Midtown ATL	Jackson & Scott Holdings, LLC	915 W. Peachtree Street NW Suite 4 Atlanta, Georgia 30309	678-932-9044
15	Kansas	Leawood	Dream Reaper LP	4324 West 119th Street Leawood, KS 66209	(913) 372-5030
16	Nevada	South Reno	NDK Shop, LLC	13925 South Virginia St Suite 248 Reno, NV 89511	(775) 900-3435
10 17	Ohio	Westerville	Bert Bros.	405 Polaris Parkway Suite 102 Westerville, OH 43082	614-347-9091
11 18	Ohio	New Albany	Bert Bros.	5780 N. Hamilton Road Columbus OH 43230	614-335-4092
12 19	Ohio	Upper Arlington	Fade by R10, LLC	1674 W. Lane Ave #130, Upper Arlington, Ohio, 43221	614.763.5444
13 20	Ohio	Hyde Park	First of Seven, LLC	3384 Erie Ave., Cincinnati, OH 45208	513-493-0844
14 21	Ohio	Lakewood, OH	HAN Cleveland 1, LLC	13333 Madison Ave Lakewood, OH 44107	440-290-1661
22	Ohio	Dublin	Fade by R10, LLC	5865 Frantz Road Dublin, OH 43017	380-210-7607
23	Ohio	Uniontown	Rock and Rome, LLC	3944 Massillon Rd Suite 106 Uniontown, OH 44685	330-353-8117
24	Ohio	Lewis Center	ODAA Enterprises LLC	6547 Artesian Run # 220 Delaware, OH 43015	614-769-6794
15	Florida	Naples	Rick Sander	2500 Tamiami Trail No Suite 116 Naples, FL 34103	239-316-0008
16	Florida	Windermere, FL	H&N FL, LLC	4750 The Grove Drive Suite 132 Windermere, FL 34786	407-917-8682
17 25	Texas	Frisco	Guthrie H&N Texas Development Co., LLC	11901 N. Dallas Pkwy, #700, Frisco, TX 75033	214.940.7799
18 26	Texas	Cypress	WA Fleming Enterprises, Moneyco mb Holdings LLC	24324 Northwest Freeway Suite 400 Cypress, TX 77429	281-895-1045
27	Texas	El Paso	Artemis Enterprise,	8889 Gateway Center W,	915.975.5911

Exhibit G – List of Franchisees

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
			LLC	Suite 1760, El Paso, Texas 79925	
28	Texas	San Antonio	Thompson H&N 1, LLC	11330 Potranco Rd Suite 107 San Antonio, TX 78253	726-223-3177
19 29	Virginia	Leesburg	Grey Goose Guys, LLC	1610 Village Market Blvd P125 Leesburg, VA 20175	571-520-2200
20 30	Virginia	Reston Town Center	Grey Goose Guys, LLC	11830 Freedom Drive Reston, VA 20190	571-525-5111
21 31	Virginia	Gainesville	3G Gainesville, LLC	13962 Promenade Commons St Suite B-2B Gainesville, VA 20155	571-520-1800

**Franchisees With Signed Franchise Agreements
But Outlet Not Yet Opened as of December 31, ~~2022~~2023**

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
1	Arizona	Scottsdale	H&N Master Ventures	6929 North Hayden Road, Ste. C-4484, Scottsdale, AZ 85258	480.907.7791
2	California	TBD/Orange Cty	Shepherd Salons, LLC	405 S. Anaheim Blvd. #9 Anaheim, CA 92805	949.322.4064
3	California	TBD/Orange Cty	Shepherd Salons, LLC	405 S. Anaheim Blvd. #9 Anaheim, CA 92805	949.322.4064
4	California	TBD/Roseville II	Hosanna Hosanna Partners LLC	8690 Sierra College Blvd. #160-354, Roseville, CA 95661	917.330.2870
5	California	Sunnyvale	JAG HN LLC	1930 Saffron Ct, Gilroy CA 95020	408.203.8399
6	California	Mountain View	JAG HN LLC	1930 Saffron Ct, Gilroy CA 95020	408.203.8399
7	California	Brea, CA	Bittel Enterprises	18603 Villa Drive, Villa Park, CA 92861	714.227.2014
8 7	California	Santa Clarita	Brave Maxx Consulting, LLC	3400 Cottage Way, Ste G2 10829, Sacramento, CA 95825 Sacramento, CA 95825	(951) 318-7737
8	California	Culver City	Luxe Endeavors LLC	Culver City, CA	630-272-3372
9	Connecticut	Stamford	H&N CT Stamford, LLC	102 Gun Club Rd. Stamford, CT 06903	510.301.4439
10	Connecticut	Darien Greenw ich	Taurus Franchise Ine. P's and Q's LLC	102 Darien Heights Rd, #R110, Darien, CT 48 West Putnam Ave Greenwich, CT 06830	347.302.0545 503 8663613

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
11	Connecticut	Stamford	P's and Q's LLC	Stamford, CT	5038663613
11 12	District of Columbia	Georgetown	J&M, LLC	9821 Ames Drive, Manassas, VA 20110	(931) 302-9806
12	District of Columbia	IK DC 2	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466
13	District of Columbia	IK DC 32	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466
14	District of Columbia	IK DC 43	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466
15	District of Columbia	IK DC 54	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466
16	District of Columbia	IK DC 5	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466
16 17	District of Columbia	IK DC 6	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466
18	Florida	Tampa #1	Dude Den LLC	611 Seminole Rd, Chillicothe, OH 45601	(740) 701-7656
19	Florida	Tampa #2	Dude Den LLC	611 Seminole Rd, Chillicothe, OH 45601	(740) 701-7656
20	Florida	Tampa #3	Dude Den LLC	611 Seminole Rd, Chillicothe, OH 45601	(740) 701-7656
21	Florida	Tampa #4	Dude Den LLC	611 Seminole Rd, Chillicothe, OH 45601	(740) 701-7656
22	Florida	Tampa #5	Dude Den LLC	611 Seminole Rd, Chillicothe, OH 45601	(740) 701-7656
23	Florida	Tampa #6	Dude Den LLC	611 Seminole Rd, Chillicothe, OH 45601	(740) 701-7656
24	Florida	Miami #1	Estetica 305 LLC	10701 Mangrove Loop Plain City, OH 43064	754-224-6009
25	Florida	Miami #2	Estetica 305 LLC	10701 Mangrove Loop Plain City, OH 43064	754-224-6009
26	Florida	Miami #3	Estetica 305 LLC	10701 Mangrove Loop Plain City, OH 43064	754-224-6009
27	Florida	Miami #4	Estetica 305 LLC	10701 Mangrove Loop Plain City, OH 43064	754-224-6009
28	Florida	Miami #5	Estetica 305 LLC	10701 Mangrove Loop Plain City, OH 43064	754-224-6009

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
29	Florida	Miami #6	Estetica 305 LLC	10701 Mangrove Loop Plain City, OH 43064	754-224-6009
17	Florida	Orlando, FL	H&N FL, LLC	220 Sagecrest Dr., Ocoee, FL 34761	813-215-6537
18	Georgia	Midtown-ATL	Jackson & Scott Holdings, LLC	194 Watkins Glen Dr., McDonough, GA 30252	404-542-9585
19 30	Georgia	Roswell	Rich Jones	1904 Liberty Dr., Deleware, OH 43015	614.805.3994
20 31	Illinois	Wheaton	Hammer Command, LLC	2206 N. Main Street, Wheaton, IL 60187	(312) 804-0701
21 32	Indiana	TBD	John Hope	70 West Deer Haven Ct. Crete, IL 60417	248-252-2873
22	Kansas	Lenexa #1	Dream Reaper LP	Lenexa, KS	(913) 309-3436
23 33	Kansas	Lenexa #2	Dream Reaper LP	Lenexa, KS	(913) 309-3436
34	Michigan	Michigan #1	AnKold Fashioned, LLC	Detroit, MI	734-718-3032
24	Nevada	South Reno	Diaz Dixon	Reno, NV	(775) 250-6999
25 35	Nevada	Northwest Reno	TouchPoint, LLC	4792 Caughlin Parkway Suite 204 & 205 Northwest Reno, NV 89519	(702) 630-0264
26 36	New Jersey	Ridgewood	Metro Grooming Partners, LLC	142 Highland Court, River Vale, NJ 07675363-381 Route 17 South, Ridgewood, New Jersey 07450 (unit 7)	(347) 874-1988
27 37	New Jersey	Atlantic City	-Avi Boodram Boardwalk Empire Atlantic City, LLC	3105 Boardwalk, Atlantic City, NJ 08401	(215) 850-5547
38	New York	White Plains	P's and Q's LLC	White Plains, NY	5038663613
28 39	North Carolina	MorrisvilleRaleigh 1	Mar10 Legacy, JJ & YC LLC	1102 Wren Tree Circle, Sanford, NC 273306325 Falls of Neuse Rd Suite 61 and 63 Raleigh, NC 27615	(919) 884-6626336-554 -5754
40	North Carolina	Raleigh 2	JJ & YC LLC	Raleigh, NC	336-554-5754
29	Ohio	Dublin	Fade by R10, LLC	1674 W. Lane Ave #130, Upper Arlington, Ohio, 43221	614.763.5444
30 41	Ohio	Chagrin Falls	Bert Bros.	6170 Braymoore Drive. Galena, OH 43021	614.813.9146
31	Ohio	Powell	Ryan Darner	2222 Gingerfield Way, Sunbury, OH 43074	614.361.7222

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
32 42	Ohio	Centerville	Ryan Darner	2222 Gingerfield Way, Sunbury, OH 43074	614.361.7222
33 43	Ohio	Pickerington	Bert Bros.	6170 Braymoore Drive. Galena, OH 43021	614.813.9146
34	Ohio	Uniontown	Rock and Rome, LLC	3412 Stillwood Blvd, Stow, OH 44224	330.322.8173
35 44	Ohio	Cleveland 2	HAN Cleveland 2, LLC	2100 Cheltenham Rd, Columbus, OH 43220 7165 Aurora Road Bainbridge, OH 44023	419.348.9363
36 45	Ohio	Cleveland 3	HAN Cleveland 3, LLC	2100 Cheltenham Rd, Columbus, OH 43220	419.348.9363
37 46	Ohio	Cleveland 4	HAN Cleveland 4, LLC	2100 Cheltenham Rd, Columbus, OH 43220	419.348.9363
38 47	Ohio	Cleveland 5	HAN Cleveland 5, LLC	2100 Cheltenham Rd, Columbus, OH 43220	419.348.9363
39 48	Ohio	Cleveland 6	HAN Cleveland 6, LLC	2100 Cheltenham Rd, Columbus, OH 43220	419.348.9363
40 49	Ohio	Canton	Rock and Rome, LLC	3412 Stillwood Blvd, Stow, OH 44224	330.322.8173
41 50	Ohio	West Chester	Second of Seven, LLC	3384 Erie Ave., Cincinnati, OH 45208	513-493-0844
51	Oklahoma	Edmond	Head 2 Toe Grooming, LLC	100 N Broadway Suite 160 Edmond, OK 73034	6789781960
42	Tennessee	Nashville	Berupp Team, LLC	Nashville, TN	(614) 813-9146
43	Texas	El Paso	Mr. Jennifer Hunter Mr. David Hunter	8889 Gateway Center W, Suite 1760, El Paso, Texas 79925	915.975.5911
44	Texas	Alamo Ranch	Thompson H&N 1, LLC	San Antonio, TX	(210) 891-7264
45	Texas	San Antonio	Thompson H&N 2, LLC	San Antonio, TX	(210) 891-7264
45	Texas	Austin	Thompson H&N 3, LLC	Austino, TX	(210) 891-7264
46 52	Pennsylvania Pennsylvania	Warrendale	Bert Bros.	6170 Braymoore Drive. Galena, OH 43021	614.813.9146
53	Tennessee	Nashville	Berupp Team, LLC	Nashville, TN	(614) 813-9146
54	Texas	San Antonio	Thompson H&N 2, LLC	San Antonio, TX	(210) 891-7264
55	Texas	Austin	Thompson H&N 3, LLC	Austin, TX	(210) 891-7264
47 56	Virginia	NOVA 4	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466
48 57	Virginia	NOVA 5	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466

	State(s)	City / Territory	Name of Franchisee	Address	Phone Number
49 <u>58</u>	Virginia	NOVA 6	Grey Goose Guys, LLC	12108 Walnut Branch Rd. Reston, VA 20194	703-282-7466

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement with us during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

~~None~~

<u>1</u>	<u>Florida</u>	<u>Wellington</u>	<u>ACA, LLC</u>	<u>5988 Wipporwill Circle, Westlake, FL 33470</u>	<u>(561) 459-7516</u>
<u>2</u>	<u>North Carolina</u>	<u>Morrisville</u>	<u>Mar10 Legacy, LLC</u>	<u>1102 Wren Tree Circle, Sanford, NC 27330</u>	<u>(919) 884-6626</u>
<u>3</u>	<u>Oregon</u>	<u>Portland #1</u>	<u>R Vines, LLC</u>	<u>18334 SW Salmonberry Lane, Sherwood, OR 97140</u>	<u>(971) 205-9909</u>
<u>4</u>	<u>Oregon</u>	<u>Portland #2</u>	<u>R Vines, LLC</u>	<u>18334 SW Salmonberry Lane, Sherwood, OR 97140</u>	<u>(971) 205-9909</u>

EXHIBIT H

AREA DEVELOPMENT AGREEMENT

THE HAMMER & NAILS SALON GROUP, LLC
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “Agreement”) is made and entered into effective _____, 20____, by and between **The Hammer & Nails Salon Group, LLC**, a California limited liability company (“We” or “Us” and at times “Franchisor”), and _____, LLC/Inc., a _____ limited liability company/corporation (“Franchisee” or “you”):

RECITALS

WHEREAS, we have developed a system for the operation of a Hammer & Nails Location Franchise, offering _____ (hereinafter “Franchise Business”). The system includes, among other things specific trade names, service marks, standards, manuals, operating procedures, marketing concepts and presentation, specifications for certain equipment, supply items and confidential information, herein at times the “System” and at times the “Hammer & Nails System;” and

WHEREAS, recognizing the value of the System and the benefits which may be obtained by use of the System, you desire to acquire the right to develop and operate multiple Hammer & Nails Location Franchises in the Reserved Territories described below and pursuant to the terms and conditions of this Agreement; and

WHEREAS, you declare that you have fully investigated and have familiarized yourself with the essential aspects and purposes of the System as developed by us; and

WHEREAS, all capitalized terms used, but not defined, herein will have the respective meaning assigned to them pursuant to the Franchise Agreement.

NOW THEREFORE, in consideration of the mutual and reciprocal covenants, promises, recitals, terms and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, the parties hereby agree as follows:

Section 1 - Definitions

1.01 Unless otherwise clearly required by the context, when used in this Agreement the following terms will have the following described meanings:

A. “Franchise” A license from us to operate a Location Franchise in a Reserved Territory.

B. “Franchise Agreement” Our agreement which licenses the right for a person or entity to use our Marks and System for the operation of a Hammer & Nails Location Franchise at a single designated location.

C. “Location Franchise” or “Franchise Business” A Unit or Business using the System for which a Hammer & Nails Franchise Agreement has been duly executed.

D. “Marks” Refers to any and all of our trademarks, service marks, trade names, logos, trade dress, color schemes, designs, equipment designs and related commercial symbols whether or not registered by us and all goodwill related thereto associated with the products or any other business, products and services of the Franchisor or its affiliates.

E. “Owners” Refers to you and the owners of any entity owning the Franchise, if any.

F. “Reserved Territory” or “Reserved Territories” The geographical area or areas set forth in Exhibit “A” attached hereto and by reference made a part hereof, in which you have the right to develop and operate Hammer & Nails Franchise Businesses in accordance with the Development Schedule set forth on Exhibit “B.” Unless otherwise agreed by us in writing, you may only open one (1) Location Franchise per Reserved Territory.

Section 2 - Territory Rights

2.01 Rights. Subject to the terms and conditions of this Agreement and the continuing faithful performance by you of your obligations hereunder, during the term of this Agreement you have the right to develop and operate Hammer & Nails Franchise Businesses in the Reserved Territories in accordance with the Development Schedule set forth on Exhibit “B” attached hereto and by reference made a part hereof, utilizing the System and the Marks in the Reserved Territories upon execution of a separate Franchise Agreement for each Location Franchise you develop, you will identify a location for each Unit (which must be located within a Reserved Territory) and, after the location is approved by us, the location will be set forth in a Franchise Agreement for that Location Franchise. We will not establish or sell franchises within one of your Reserved Territories while this Agreement is in effect.

2.02 Character of Rights. The rights set forth herein are territorial only and do not grant or imply any license or franchise for you to use the Marks or System. This Agreement will not create or grant rights or obligations outside your Reserved Territories. Nothing contained herein will prevent us from granting the right to establish or operate, or ourselves establishing, owning and operating Hammer & Nails Franchise Businesses or similar operations outside of your Reserved Territories. Furthermore, we and our affiliates expressly reserve the right to market Hammer & Nails products in your Reserved Territories through various means, including, but not limited to the Internet, and to sell non-traditional franchises at our discretion, both within and without your Reserved Territories. We may also enter into and negotiate franchise agreements with large institutional-type franchisees, for example, military bases, universities, department stores, hospitals or other similar locations. These franchisees have the right to operate and open non-traditional franchises at these non-traditional and institutional locations. Neither we nor other franchisees are restricted from advertising their Hammer & Nails Franchise Business in your Reserved Territories. The rights and privileges granted to you under this Agreement are personal in nature.

2.03 System Modifications. We may, at any time, in our reasonable discretion, change or modify the System or add to or delete from the System. In such event, we will notify you of any such changes, modifications, additions or deletions, and you will accept, be bound by, use and immediately take steps to implement any such changes in your Reserved Territories. We will have complete ownership and control of any changes, modifications, enhancements or suggestions whether made or implemented by us or you.

2.04 Additional Location Franchises. You do not receive the right to purchase or develop additional Location Franchises under this Agreement. In the event you wish to purchase or develop additional Location Franchises, you must enter into a new multi-unit development agreement.

Section 3 - Development & Term

3.01 Development Schedule.

A. You agree to use your best efforts to develop and operate your Location Franchises in the Reserved Territories during the term hereof. Without limiting the foregoing obligation, in order to retain the rights granted hereunder, you agree to open, as your minimum development obligation hereunder during the term hereof, the number of Hammer & Nails Location Franchises in the Reserved Territories set forth on Exhibit “A” attached hereto and by reference incorporated and made a part hereof (the “Development Schedule”).

B. You are required to develop _____ Location Franchises Units in your Reserved Territories. A new Location Franchise must be developed in accordance with the Development Schedule and Opening Deadlines set forth in Exhibit “B.”.

C. If you wish to purchase additional Location Franchises, you will enter into an Addendum setting forth a new development schedule for the additional franchises and be required to pay the Franchise Fee to us for the additional franchises.

3.02 Franchise Locations. The location of each Location Franchise (which must be located within a Reserved Territory) will be selected by you but must be approved in writing by us, which approval will not be unreasonably withheld or delayed. A separate Franchise Agreement will be executed for each Location Franchise in your Reserved Territories. The deadline for signing the Franchise Agreement for each Location Franchise developed under this Agreement is set forth in Exhibit “B”. If you fail to execute a Franchise Agreement for a Location Franchise by the required deadline, and fail to cure such default within thirty (30) days after receipt of written notice from us of such default, we have the right to terminate this Agreement and any future development rights hereunder.

3.03 Termination by Franchisor. In the event you fail to meet the Development Schedule, Opening Deadlines, or any of your other development obligations, we will have the right: 1) to remove one of your undeveloped Reserved Territories from your Development Schedule (the choice of which Reserved Territory to remove will be at our sole discretion), which will not affect your obligation to continue to develop the remainder of your Location Franchises according to the Development Schedule; or 2) to terminate this Agreement upon written notice to you as provided in Section 9 hereof. Franchise fees are not refundable. Time is of the essence. If terminated, you may still continue to own and operate your individual Location Franchises in the Reserved Territories owned and operated by you prior to termination, so long as you are current and continue to faithfully perform the terms and conditions of such Franchise Agreement(s). However, if terminated, you will cease to have any exclusivity rights with regard to the development of Franchises in the Reserved Territories and you will forfeit any contractual right you may have to purchase additional Location Franchises within the Reserved Territories.

3.04 Term. The term of this Agreement shall last through the last Opening Deadline set forth on Exhibit “B.”

Section 4 - Fees

4.01 Initial Franchise Fees for Units to be Developed. Upon execution of this Agreement, you will the Initial Franchise Fee due for each Unit Franchise to be developed under the Development Schedule on Exhibit “B.” There number of Location Franchises to be developed is set forth in Exhibit “B”.

4.02 Non Refundable. The Initial Franchise Fees paid under this Agreement are not refundable.

Section 5 - Franchise Agreement(s)

5.01 Franchise Agreement. Each Location Franchise opened by you in the Reserved Territories, pursuant to this Agreement, will be governed by our then-current standard form Franchise Agreement executed by you and us. A copy of our current Franchise Agreement is attached hereto and by reference is made a part hereof. A Franchise Agreement for each Location Franchise must be executed and delivered to us and the Franchise Fee paid at the beginning of the development and prior to commencing construction of improvements, acquisition or lease of any related real property, or any other development activity.

5.02 Modification of Franchise Agreement. We reserve the right, from time-to-time, to amend, change or modify our Franchise Agreement prior to the time it is signed by you.

5.03 Guaranty. You agree that if you are an entity, all of the owners owning a 20% or greater interest in the Franchise Business must personally guarantee the performance under each Franchise Agreement, and agree to be bound by, and liable for, the breach of every provision of the Franchise Agreement.

5.04 First Location Franchise. You acknowledge that the Franchise Agreement governing your first Location Franchise to be opened under the Development Schedule is being executed concurrently with this Agreement.

Section 6 - Operating Standards and Covenants

You agree that:

6.01 Knowledge. You will acquire and maintain sufficient knowledge and experience involving the Hammer & Nails System so as to be able, in good faith, to develop the Location Franchises in a timely, efficient and professional manner.

6.02 Compliance. You will, at your expense, comply with all applicable laws, ordinances, rules and regulations pertaining to the operation of your Franchise Business as contemplated herein, including, without limitation, a license or permit for the operation of your Hammer & Nails Location Franchise.

6.03 Cost of Doing Business. You will be responsible for all your costs of doing business, including, without limitation, taxes, permits, licensed, fees, postage, telephone, training, photocopying, employees, salaries, travel, on-going service obligations and other costs and expenses in connection with your obligations herein.

6.04 Franchise Obligations. You agree to promptly pay all of your obligations and liabilities to us and your suppliers, vendors and trade accounts. You will be responsible and liable for the prompt payment of all of your taxes, including, but not limited to, income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes and similar taxes and personal property and real estate taxes payable as a result of your Franchise Business. We will have no liability for these or any other taxes and you will indemnify and hold us harmless from any such taxes that may be assessed or levied against us which arise or result from your Franchise Business.

6.05 Periodic Reports. You will provide us with quarterly progress reports, in writing, regarding the development of the Location Franchises in your Reserved Territories.

6.06 Your Performance. You will comply with all other duties, obligations and requirements set forth in this Agreement, your Franchise Agreement(s) and our Operations Manual and other manuals.

6.07 Indemnification. You will protect, indemnify and hold us harmless from and against any and all costs, damages and liabilities, including, but not limited to, legal fees incurred by us or our officers, directors, members, managers and agents because of any act, neglect or omission of yours or your employees, customers, agents or guests including, without limitation, malfeasance, misstatements made to customers or franchisees, nonfeasance, failure to perform, and breach of your duties and obligations under this Agreement.

Section 7 - Confidential Information

7.01 Confidential Information. Except for knowledge already in your possession not disclosed to you by us or currently in the public domain, you acknowledge that your entire knowledge of the operation of the Hammer & Nails System and the contemplated Franchise Business, including, without limitation, the contents of the operating manuals, including recipes and recipe books, and the specifications, standards and operating procedures for the Hammer & Nails Location Franchises, is derived from information disclosed to you by us and that such operating manuals and such other information is confidential and a trade secret of ours. you agree that you will maintain the absolute confidentiality of the operating manuals and all such other information during and after the term hereof, disclosing the same to employees of your Franchise Business only to the extent necessary for the operation of the Location Franchises in accordance with this Agreement, and that you will not use the System, operating manuals and such other information in any other business or in any manner not specifically authorized or approved in writing by us.

Section 8 - Marks

8.01 Ownership of Marks. You acknowledge that you have no proprietary interest whatsoever in the Hammer & Nails Marks or derivatives thereof and that your right to use the Marks is derived solely from this Agreement and your Franchise Agreement(s) and is limited to the conduct of your Franchise Business pursuant to and in compliance with this Agreement and your Franchise Agreement(s) and all applicable specifications, standards and operating procedures prescribed by us. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. You agree that all usage of the Marks by you and any goodwill established thereby will inure to our exclusive benefit and you acknowledge that this Agreement applicable to the Marks will apply to any additional trademarks, service marks, trade names, logos, or commercial symbols hereafter developed, used or authorized by us.

8.02 Use of Marks. You will not use any of the Marks as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form without our consent, nor may you use any Mark in connection with the sale of any unauthorized products or service or in any other manner not expressly authorized under this Agreement. You agree to display the Marks prominently and in the manner prescribed by us. Further, you agree to obtain such fictitious or assumed name registrations as may be required by us or applicable law.

8.03 Infringements. We will have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, proceeding or other administrative claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance and do such acts and things at the Franchisor's expense as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, proceeding or other administrative proceeding or to otherwise protect and maintain our interests in the Marks. If it becomes advisable at any time, in our sole discretion, exercised in good faith, for us or you to modify or discontinue use of any

Mark, or to use one or more additional or substitute Marks, you agree, at your expense, to comply therewith within a reasonable time after notice thereof by us.

Section 9 - Our Right of Termination

9.01 Termination. In addition to the other rights of termination we may have at law or equity or as contained in this Agreement, we will have the following rights of termination:

A. 45 – Day Cure Period. If you fail to meet your development obligations, at any time, as set forth in Section 3 hereof above, your rights hereunder will automatically terminate effective forty-five (45) days after delivery of notice of default, if not otherwise cured within the forty-five (45) days’ notice period.

B. No Cure Period. You agree that if a violation or default under (1) through (7) below, termination of this Agreement will occur automatically without written notice to you.

1) You or any of your Owners makes an unauthorized assignment of this Agreement or any ownership change without our consent, which consent will not be unreasonably withheld or delayed;

2) You or any of your Owners are convicted of, plead guilty to, or plead no contest to a charge of violating any felony law or other crime or offense we believe is reasonably likely to have an adverse effect on the System;

3) You consistently fail to timely pay any of your payment obligations or liabilities owing to us;

4) You are insolvent or a party to any bankruptcy, receivership or similar proceeding, other than as a creditor, file for bankruptcy or receivership or similar protection or you are adjudicated bankrupt;

5) You make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors;

6) You voluntarily or otherwise abandon the development of the Location Franchises in the Reserved Territories hereunder;

7) You repeatedly fail to materially comply with this Agreement, whether or not such failures to comply are corrected after notice thereof;

C. 30 – Day Cure Period. For all other defaults hereunder, we will have the right to terminate this Agreement effective upon thirty (30) days after delivery of notice of termination to you if such default is not cured within the thirty (30) day cure period. Furthermore, an uncured default under any of your Franchise Agreement(s) for any Location Franchise, will be deemed a default under this Agreement if not cured within thirty (30) days written notice.

9.02 Indemnity. You will protect, indemnify and hold us harmless from and against any and all costs, losses, damages, liabilities, obligations and legal fees incurred by us or our members, managers, officers, directors, employees or agents because of any act, neglect or omission by you, your employees, agents or guests, in the event a legal action or other proceeding is brought against us.

Section 10 - Obligations Upon Termination or Expiration

10.01 Our Rights upon Termination. Upon expiration or termination of this Agreement, your rights are terminated. We will be free to own or operate Hammer & Nails Franchise Businesses and to franchise others to do so anywhere in the Reserved Territories other than in locations for which you have an existing signed and compliant Franchise Agreement. The foregoing are in addition to any other right or remedy we may have at law or in equity.

10.02 Operating Units. So long as you are not in default under the terms and conditions of your respective Franchise Agreement(s), you may continue as our Franchisee pursuant to the terms and conditions of your respective Franchise Agreement(s) even after termination or expiration of this Agreement.

Section 11 - Unfair Competition and Non-Competition Covenant

11.01 Non-Competition. You and your owners will not, during the term of this Agreement and for a period of two (2) years after the expiration or termination of this Agreement, on your own account or as an owner, employee, agent, consultant, partner, member, manager, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in the sale or offering of products or services similar to ours business or other business offering products or services the same as or substantially similar to the Hammer & Nails Business or using a business format which is the same as or similar to our System in any capacity or location within fifty (50) miles of one of your Reserved Territories of within twenty-five (25) miles of any Hammer & Nails Franchise Business location in the Hammer & Nails System.

11.02 Enforceability. It is the desire and intent of the parties to this Agreement that the provisions of paragraph 11.01 be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. Accordingly, if any part of said paragraph is adjudicated to be invalid or unenforceable, then paragraph 11.01 will be deemed amended to delete that portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of that paragraph and the particular jurisdiction in which said adjudication is made. Further, to the extent any provision of this paragraph is deemed to be unenforceable by virtue of its scope, but may be made enforceable by limitation, the parties agree that the same will, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought.

Section 12 - Assignment

12.01 By Franchisor. This Agreement is fully assignable by us and will inure to the benefit of any assignee or other legal successor to our interests herein.

12.02 No Transfer Allowed by Franchisee. You may not transfer or assign this Agreement in any form whatsoever.

Section 13 - Notices

13.01 Notices. All notices permitted or required under this Agreement will be in writing and will be delivered as follows with notice deemed given as indicated (i) by personal delivery when delivered personally, (ii) by overnight courier upon written verification of receipt, (iii) by telecopy or facsimile transmission, during normal business hours, Monday through Friday, holidays excepted, when confirmed

by telecopier or facsimile transmission, (iv) through the email address below or other authorized email address when confirmed by receipt verifications, or (v) by certified or registered mail, return receipt requested, three (3) days after deposit in the mail addressed as follows:

Franchisor:

The Hammer & Nails Salon Group, LLC

101 Parkshore Drive, Suite 100

Folsom, CA 95630

Attention: Aaron Meyer, President

Email: aaron@hngrooming.com

Franchisee: _____

Section 14 - Representations

14.01 Your Efforts. You understand that the success or failure of the development of Location Franchises in the Reserved Territories and the Location Franchises depends, in major part, upon your efforts. You acknowledge and affirm we have made no income guarantees, projections, or any claims that you will be successful. This Agreement contains all of the terms and conditions agreed upon by the parties. No promises or representations have been made by us or any of our representatives or agents other than herein set forth.

14.02 Receipt of FDD. You represent that you have had a copy of the Hammer & Nails Franchise Disclosure Document for at least 14 calendar days or 10 business days, whichever is applicable, prior to signing this Agreement or making any payment to us, and during which time you had the opportunity to submit the Franchise Disclosure for review by legal counsel.

Section 15 – Disputes

15.01 Resolution. You and we understand that there is always a possibility of differences of opinion or other disagreements in any business relationship and agree that it is important to resolve any disputes amicably, quickly, inexpensively and professionally and to return to business as soon as possible.

15.02 Manner of Handling Disputes. You and we agree that except as otherwise expressly provided for herein, in the event any controversy, dispute or claim whatsoever (“Dispute”) will arise between us or our subsidiaries, parents and affiliates and each of our respective shareholders, managers, officers, directors, members, agents, employees and attorneys (in their representative capacity), if applicable, and you or your entity owners, guarantors and employees, officers, directors, members, managers, agents, and attorneys (in their representative capacity), if applicable, in connection with, arising from, or with respect to, any provision hereof, the relationship created herein, or the validity of this Agreement or any provision hereof, or the offer and sale to you, such Dispute will be:

A. Face-to-Face Meeting. First discussed in a face-to-face meeting between you and us at our then-current headquarters and within thirty (30) days after either you or we give written notice to the other proposing such a meeting. We have the right, in our sole discretion, to waive this requirement.

B. MEDIATION. WE AND YOU ACKNOWLEDGE THAT DURING THE TERM OF THIS AGREEMENT CERTAIN DISPUTES MAY ARISE THAT WE AND YOU ARE UNABLE TO RESOLVE, BUT THAT MAY BE RESOLVABLE THROUGH MEDIATION. TO FACILITATE SUCH RESOLUTION, YOU AND WE AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN US OR ANY OF OUR AFFILIATES (AND OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND YOU (AND YOUR OWNERS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU, (b) OUR RELATIONSHIP WITH YOU, OR (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU, TO MEDIATION BEFORE BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL.

1. THE MEDIATION SHALL BE CONDUCTED BY A MEDIATOR AGREED UPON BY YOU AND US AND, FAILING SUCH AGREEMENT WITHIN NOT MORE THAN FIFTEEN 15 DAYS AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR ORGANIZATION (“AAA”) IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. MEDIATION SHALL BE HELD AT THE OFFICES OF THE AAA NEAREST TO OUR PRINCIPAL PLACE OF BUSINESS OR IN FOLSOM, CA, AT OUR OPTION. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS’ FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY.

2. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING PURSUANT TO SECTION XX.H WE AND YOU AGREE THAT STATEMENTS MADE BY EITHER YOU OR US IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE FOR ANY PURPOSE IN ANY SUBSEQUENT LEGAL PROCEEDING.

3. NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS SECTION, YOUR AND OUR AGREEMENT TO MEDIATE SHALL NOT APPLY TO CONTROVERSIES, DISPUTES OR CLAIMS RELATED TO OR BASED ON THE MARKS OR THE CONFIDENTIAL INFORMATION. MOREOVER, REGARDLESS OF YOUR AND OUR AGREEMENT TO MEDIATE, YOU AND WE EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF.

C. LITIGATION. WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED IN SUBSECTION B ABOVE, THE PARTIES IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF LOS ANGELES COUNTY, CALIFORNIA AND THE FEDERAL DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA AND HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. YOU AND WE AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE

RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY CALIFORNIA OR FEDERAL LAW. YOU AND WE FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE LOS ANGELES COUNTY, CALIFORNIA.

D. GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER CALIFORNIA LAW (EXCEPT FOR CALIFORNIA CONFLICT OF LAW RULES).

Section 16 – General Provisions

16.01 Severability. Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion thereof, will be considered severable.

16.02 Construction and Jurisdiction. The rights of the parties and provisions of this Agreement will be interpreted and governed in accordance with the laws of the State of California and you consent to the exercise over you for general personal jurisdiction and venue in the courts of record of Los Angeles County, State of California. You expressly waive any objection you may have to the personal jurisdiction of or venue in the state and federal courts of Los Angeles County, State of California. We and you agree that all causes of action and claims arising out of this Agreement that are not arbitrated will be litigated exclusively in the courts of record in the State of California, even though it may otherwise be possible to obtain jurisdiction over us elsewhere. Nothing herein will prevent the Franchisor from obtaining injunctive relief and enforcement of judgments and rulings in the courts of other jurisdictions.

16.03 Waiver of Obligations. You and we will not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term), by virtue of any custom or practice of the parties at variance with the terms hereof or any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder.

16.04 Cumulative Remedies. Rights hereunder are cumulative and no exercise or enforcement of any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy hereunder which you or us are entitled by law or equity to enforce. Nothing herein contained will be interpreted as to bar or waive our right to obtain any remedy available at law or in equity including injunctive relief.

16.05 Costs and Attorney's Fees. If a claim for amounts owed by you to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you are required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees.

16.06 Binding Effect. This Agreement will be binding upon the parties hereto and their respective assigns and successors in interest, and will not be modified except by written agreement signed by both the Franchisor and you.

16.07 Miscellaneous. The preambles and exhibit(s) to this Agreement, if any, are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written

understandings or agreements between you and us relating to the subject matter of this Agreement. Except as otherwise expressly provided herein, nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. This Agreement will be executed in multiple copies, each of which will be deemed an original. Time is of the essence of this Agreement. Nothing in this paragraph is intended to be a disclaimer of the representations we made in the franchise disclosure document that we furnished to you. No modifications of the terms of this Agreement will be valid unless made in writing and executed by both us and you.

16.08 Interpretation of Agreement. Words in the masculine gender include the feminine and neuter. Use of the singular will include the appropriate plural numbers. The paragraph headings and title of this Agreement are not part of this Agreement, having been inserted for convenience of reference only, and will have no effect upon the construction or interpretation of this Agreement.

16.09 Relationship of the Parties. In all matters, you are an independent contractor. Nothing in this Agreement nor in the franchise relationship constitutes you as our partner and agent, nor joint venture with us and this Agreement does not create a fiduciary relationship between you and us. Neither party is liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, wages, negligence, errors or omissions of the other. you are responsible for the management and control of your Franchise Business, including without limitation, its daily operations, managing and directing employees and sales persons and paying all costs and expenses of your Franchise Business. The parties agree not to hold themselves out by action or inaction contrary to the foregoing and to indemnify each other for any liability, cost or expense including attorney's fees, incurred by either of them for any act, omission, finding or result to the contrary. None of your employees will be deemed to be our employee and each employee will be so notified by you. Neither party will act or have the authority to act as agent for the other and neither you nor we will guaranty the obligations of the other or in any way become obligated for the debts or expenses of the other unless agreed to in writing.

IN WITNESS WHEREOF, we and you have respectively signed and sealed this Agreement as of the day and year first above written.

YOU REPRESENT, COVENANT, AND AGREE THAT WE HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING YOUR SUCCESS AND WE DISCLAIM ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF YOUR BUSINESS OPERATIONS UNDER THIS AGREEMENT.

THE HAMMER & NAILS SALON GROUP, LLC,
a California limited liability company

By: _____
Print Name: _____
Title: _____

FRANCHISEE

By: _____
Print Name: _____
Title: _____

EXHIBIT "A"
TO THE MULTI UNIT DEVELOPMENT AGREEMENT
RESERVED TERRITORIES

EXHIBIT "B"
TO THE MULTI UNIT DEVELOPMENT AGREEMENT
LOCATION FRANCHISE DEVELOPMENT SCHEDULE

<u>Number of Location Franchises to Be Developed</u>	<u>Initial Franchise Fee for Each Unit to Be Developed</u>	<u>Franchise Agreement Execution Deadline</u>	<u>Opening Deadline for Each Location Franchise Developed Under this Agreement</u>
<u>1</u>	<u>\$49,500</u>	<u>N/A</u>	
<u>2</u>			
<u>3</u>			
<u>4</u>			
<u>5</u>			
<u>6</u>			
<u>7</u>			
<u>8</u>			
<u>9</u>			
<u>10</u>			
<u>11</u>			
<u>12</u>			
<u>13</u>			
<u>14</u>			
<u>15</u>			
<u>TOTAL</u>			

STATE EFFECTIVE DATES

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

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

STATE	EFFECTIVE DATE
California	July 10, 2023 Not Registered
Hawaii	Not Registered
Illinois	Separate FDD Not Registered
Indiana	April 30, 2023 Not Registered
Maryland	Separate FDD Not Registered
Michigan	June 3, 2023 Not Registered
Minnesota	July 19, 2023 Not Registered
New York	June 23, 2023 Not Registered
North Dakota	Not Registered
Rhode Island	May 19, 2023 Not Registered
South Dakota	Not Registered
Virginia	June 22, 2023 Not Registered
Washington	Pending Not Registered
Wisconsin	April 24, 2023 As Amended June 21, 2023 Not Registered

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 HJ

RECEIPTS

RECEIPT

(YOUR COPY – RETAIN FOR YOUR FILES)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If The Hammer & Nails Salon Group, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable law.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

If The Hammer & Nails Salon Group, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit C.

The franchisor is The Hammer & Nails Salon Group, LLC, located at 101 Parkshore Drive, Suite 100, Folsom, CA 95630. Its telephone number is (916) 932-2150.

The Hammer & Nails Salon Group, LLC's franchise seller is Aaron Meyers, 101 Parkshore Drive, Suite 100, Folsom, CA 95630, (916) 932-2150 and _____

(Name) _____ (Address) and _____

(Phone).

Date of Issuance: ~~April 20~~ March 18, 2023 2024

I have received a Franchise Disclosure Document dated ~~April 20~~ March 18, 2023 2024. This Disclosure Document included the following Exhibits:

- A. Franchise Agreement with Exhibits
- B. Table of Contents of Confidential Operations Manual
- C. List of State Administrators/Agents for Service of Process
- D. Financial Statements
- E. General Release
- F. State-Specific Disclosures
- G. List of Franchisees
- H. Area Development Agreement
- I. ~~H.~~ State Effective Dates
- J. ~~I.~~ Receipts

Date

Signature of Prospective Franchisee

Print Name: _____

RECEIPT

(OUR COPY – SIGN, DATE AND RETURN TO US)

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(Name) _____ (Address) and _____
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- H. Area Development Agreement
- I. ~~H.~~ State Effective Dates
- J. ~~I.~~ Receipts

Date

Signature of Prospective Franchisee

Print Name: _____