



THE HAIR EXTENSION SALON

FRANCHISE DISCLOSURE DOCUMENT

**Xtension Envy Franchise Group, LLC,
an Arizona Limited Liability Company**

14850 N. 87th St., Ste. 130

Scottsdale, AZ 85260

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<http://franchise.xtensionenvy.com>

The franchise offered is for the right to own and operate a Xtension Envy Salon which will perform hair extension sales, installations, and ongoing maintenance to include coloring, washing, blow outs, straightening and cuts.

The total investment necessary to begin operation of Xtension Envy franchise ranges from \$322,750 to \$503,750 including \$104,500 to \$114,000 which must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Peter Taunton at 14850 N. 87th St., Ste. 130, Scottsdale, AZ 85260; phone number (612) 418-9900.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. Information comparing franchisors is available. Call your state agency or your public library for sources of information. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," is available from the FTC. You can contact the FTC at 1-877-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's homepage at www.ftc.gov for additional information. In addition, there may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: July 8, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

1. **Out of State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by arbitration only in Arizona. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate with us in Arizona 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.

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.

NOTICE REQUIRED BY STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

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

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA AT EXHIBIT E.

ITEM 1. THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Xtension Envy,” “we,” “us,” and “our” means Xtension Envy Franchise Group, LLC, the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from us.

The Franchisor

Xtension Envy Franchise Group, LLC, is an Arizona Limited Liability Company formed on April 9, 2021. We operate under the name Xtension Envy and no other name. Our principal business address is 14850 N. 87th Street, Suite 130, Scottsdale, AZ 85260. We offer franchises (“Xtension Envy Franchise(s)” or “Franchise(s)”) for Xtension Envy Salons and have done so since April 9, 2021. We do not conduct business under any other name or in any other line of business and we do not offer franchises in any other line of business.

The franchisor does not operate any Xtension Envy Salons or similar type of business.

We have a parent company, XE Holdings, LLC which formed on February 23, 2021, with a principal business address of 14850 N. 87th St., Ste. 130, Scottsdale, AZ 85260. XE Holdings, LLC operates a single company owned Xtension Envy unit and does not offer franchises in any line of business.

We have an affiliate company, USAMAO, LLC, which was formed on May 6, 2014, with a principal business address of 8360 E Raintree Dr., Ste. 140, Scottsdale, AZ 85260. USAMAO, LLC does not operate any Xtension Envy units or similar type of business and does not offer franchises in any line of business. USAMAO, LLC owns the Xtension Envy trademark.

We have a second affiliated company BSM Franchise Sales and Consulting, LLC which was formed as a limited liability company in the state of Florida on April 29, 2021. BSM Franchising has a notice address of 2020 N. Bayshore Drive, Unit 4104, Miami, Florida. BSM Franchising does not offer franchises in any line of business.

We do not have any predecessors.

Our agent for service of process in Arizona is Mark Chester, Chester Law, PLLC with an address of 8360 E. Raintree Drive Suite 140, Scottsdale, Arizona 85260, with a phone number of (480) 922-3939. Our agents for service of process for other states are identified by state in Exhibit D. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

The Franchise

Xtension Envy Salons offer hair extension sales, installations and ongoing maintenance including coloring, washing, blow outs, straightening and cuts under our system (“System”) and uses Xtension Envy’s trademarks, service marks, trade names and logos (the “Marks”). The System may be changed or modified by us throughout your ownership of the Franchise. Required locations for Xtension Envy Salons typically measure from 1,200 to 2,000 square feet.

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit

A (“Franchise Agreement”). You may operate one Xtension Envy Salon for each Franchise Agreement you sign.

Market and Competition

The primary market for the products and services offered by Xtension Envy Salons is the general public. The products and services offered by Xtension Envy are not seasonal, although you may experience peak months and fluctuations in revenue. The hair extension market, as a whole, is somewhat developed but growing. You will also face normal business risks that could have an adverse effect on your Xtension Envy franchise.

Industry-Specific Laws

Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your Xtension Envy Salon. 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.

Also, you must comply with all laws, rules and regulations governing the operation of the Xtension Envy Salon and obtain all permits and licenses necessary to operate the Xtension Envy Salon. Many states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Xtension Envy Salon, including those that: (a) require a permit, certificate or other license; (b) establish general standards, specifications and requirements for the construction, design and maintenance of your business site and premises; (c) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements, restrictions on smoking and exposure to tobacco smoke or other carcinogens, availability of and requirements for public accommodations, including restroom facilities and public access; (d) set standards pertaining to employee health and safety; (e) set standards and requirements for fire safety and general emergency preparedness; and (f) regulate the proper use, storage and disposal of waste or other hazardous materials.

You must obtain all necessary permits, licenses, and approvals to operate your Xtension Envy Salon. There may be other regulations that establish certain standards, specifications, and requirements that must be followed by you. You alone are responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to you and your Xtension Envy franchise, despite any advice or information that we may give you. You should consult with a legal advisor about whether these and/or other requirements apply to your Xtension Envy Salon. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

ITEM 2. BUSINESS EXPERIENCE

SCOTT LEWANDOWSKI - FOUNDER AND CEO

Scott has been with Xtension Envy Franchise Group since its founding. Mr. Lewandowski opened and operated four The Joint chiropractic clinics in the Phoenix metro area from January 2013 to March 2017. He also served as the CEO of allfinancialhub.com from August 2014 to August 2016 and as a Management Consultant at MGA Home Healthcare from October 2014 to December 2019. In November 2017 he launched the first Xtension Envy salon with his wife, Christine Lewandowski.

CHRISTINE LEWANDOWSKI - CHIEF CREATIVE OFFICER AND LEAD TRAINER

Christine has been with Xtension Envy Franchise Group since its founding in April 2021 and is one of its co-founders along with her husband, Scott. Mrs. Lewandowski began operating Adagio Beauty Supply in May 2016 and began offering hair extensions as a service in November 2017, eventually transitioning into launching the first Xtension Envy salon with her husband.

PETER TAUNTON – CO-OWNER AND VP OF BUSINESS DEVELOPMENT

Peter has been the Co-Owner and VP of Business Development of Xtension Envy since May of 2024. Peter has been the CEO of Lift Brands, Inc. since 2003. Peter is also the Co-Founder of Nautical Bowls and was their President from September of 2020 until June of 2024.

ITEM 3. LITIGATION

Kirin Hawley, et al v. Nautical Bowls Franchising, LLC, Peter Taunton, et al Fourth Judicial District, State of Minnesota (Case No. 27-CV-23-19306). On December 22, 2023, a former franchisee of Nautical Bowls sued the franchisor, Peter Taunton as its former CEO and other representatives of Nautical Bowls alleging violations of the Minnesota Franchise Law, the Minnesota Deceptive Trade Practices Act, the Texas Deceptive Trade Practices Act, claims of common law fraud and negligent misrepresentation in connection with the sale of her franchise, and promissory/equitable estoppel and breach of contract. Plaintiffs seek compensatory and exemplary damages and recovery of attorneys' fees. Defendant filed a Motion to Dismiss which was granted in part and denied in part on June 14, 2024. This case is in the pre-trial stage.

Cheryl Hatfield, et al v. Nautical Bowls Franchising, LLC, Peter Taunton, et al, Fourth Judicial District, State of Minnesota (Case No. 27-CV-19329). On December 22, 2023, a former franchisee of Nautical Bowls sued the franchisor, Peter Taunton as its former CEO, and other representatives of Nautical Bowls alleging violations of the Minnesota Franchise Law, the Minnesota Deceptive Trade Practices Act, the Texas Deceptive Trade Practices Act, claims of common law fraud and negligent misrepresentation in connection with the sale of her franchise, and promissory/equitable estoppel and breach of contract. Plaintiffs seek compensatory and exemplary damages and recovery of attorneys' fees. Defendant filed a Motion to Dismiss which was granted in part and denied in part on July 3, 2024. This case is in the pre-trial stage.

Bright Beacon, Inc. v. Nautical Bowls Franchising, LLC, Peter Taunton, et al. U.S. District Court for the Southern District of California, Case # 3:24-cv-00500-RBM-MMP. On December 27, 2023, a former franchisee of Nautical Bowls sued the franchisor, Peter Taunton as its former CEO, and other representatives of Nautical Bowls alleging violations of the California Franchise Investment Law, fraud, negligent misrepresentation, breach of contract, violation of the Unfair Competition Law, and violation of the Texas Deceptive Trade Practices Act, in connection with the sale of the franchise. Plaintiff seeks compensatory and exemplary damages and recovery of attorneys' fees. This case is pending a Motion to Dismiss filed by Defendant on March 27, 2024, which is still pending before the Court.

Except for these three actions, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Initial Franchise Fee

The “Initial Franchise Fee” for a single Xtension Envy Salon is \$49,500. The Initial Franchise Fee is payment for the pre-opening assistance that we provide to you to allow you to open your Xtension Envy Salon and also offsets some of our franchisee recruitment expenses. The Initial Franchise Fee is uniform, payable when you sign your Franchise Agreement and is nonrefundable. We offer a \$5,000 discount off the Initial Franchise Fee for retired Veterans who were not dishonorably discharged and who sign a franchise agreement with us.

To the extent required by state franchise administrators, certain states may require that we defer the initial franchise fee until our initial obligations are met. See the State Law Addenda Attached as Exhibit E to this disclosure document.

Tech Start Up Fee

Franchisee shall pay to Franchisor a Tech Start Up Fee of \$750. These funds are use for setting up our technology in relation to your franchise, such as creating your email address, adding your location to our website and the setup of other technologies required for your Salon. This fee is due upon signing of the Franchise Agreement and is nonrefundable.

Initial Supplies

Franchisees will be required to purchase various products and supplies from our affiliate(s), including hair extensions and various tools necessary for their operation. The cost for these initial supplies will be from \$53,500 to \$56,000.

Delay in Opening Fee

Even though we do not anticipate your location taking longer than nine (9) months to open, we charge a fee of \$500 per month for every month you are not open starting nine months after the effective date of your Franchise Agreement. If you have not opened your location within 15 months of the effective date, you will be in default of you Franchise Agreement and your agreement may be terminated.

ITEM 6. OTHER FEES

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Royalty ⁽²⁾	6% of monthly Gross Sales	Weekly on Monday of every week for Gross Revenue of the prior week.	The “Royalty” is based on “Gross Sales” ⁽³⁾ during the previous month. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance.
National Advertising Fund ⁽⁴⁾	2% of monthly Gross Sales.	Weekly on Monday of every week for Gross Revenue of the prior week.	This contribution will be used for a system-wide “National Advertising Fund” for our use in promoting and building Xtension Envy brand and technological advances. We currently are not collecting this fee but may start at any time during our agreement. This contribution will be used for a system-wide “National Advertising Fund” for our use in promoting and building the Xtension Envy brand. We can raise this fee to up to 2% upon written notice.
Local Advertising	There is no required local advertising. We recommend you spend at least 2% of Gross Sales per month on local advertising.	As Invoiced by third parties	Local Advertising is recommended, but not required.
Insurance	You must reimburse us for the actual cost plus 20% for the insurance policies.	As Invoiced	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained of the Premium plus twenty percent (20%) of the

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
			premium for an administrative cost of obtaining the insurance.
Retraining fee	If attending a regularly scheduled training, there is no fee for retraining. If training is required outside of a regularly scheduled training the cost is \$1,500 per day.	At the time of retraining	Payable to us if your manager does not pass initial training and we permit you to send a substitute manager to us for training.
Additional Training or Assistance Fees ⁽⁵⁾	Currently, we charge \$250 per person per day if training is at our location, and we charge \$350 per person per day plus hotel, air fare, and other expenses incurred by our trainer if the training is at your location	As Invoiced	We provide initial training at no charge for up to three people. If you need training provided by us for newly hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request. The fee amount will depend on the training required and experience level of the trainer.
Late Payment Fee	\$100 per occurrence, plus the lesser of the daily equivalent of \$100 per year simple interest or the highest rate permitted by your state's law.	As Invoiced	Payable if any payment due to us or our affiliates is not made by the due date. Interest begins to accrue 5 days after billing if no due date is specified; otherwise, interest accrues from the date the payment was due.
Non-Sufficient Funds Fee ⁽⁶⁾	\$35 for the first violation, \$75 for all subsequent violations.	As Invoiced	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment, or any similar event.
Audit Expenses ⁽⁷⁾	Cost of inspection plus the amount of underpayment plus the late payment fees as described above.	Cost of inspection when billed; underpayment and interest immediately.	You will be required to pay this if an audit reveals that you understated weekly Gross Sales by more than two percent (2%) or you fail to submit required reports.
Indemnification ⁽⁸⁾	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your Xtension Envy Salon or Franchise.
Renewal Fee ⁽⁹⁾	\$4,500 or 10% of the current Franchise Fee	At time of Renewal	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement. You must sign a then current version of our Franchise Agreement.
Opening Deadline Extension	\$500 per month (or portion of month) for which the deadline is extended	As incurred	Us by ACH
Relocation Fee	\$10,000	Once application is approved	You must reimburse us for our reasonable expenses plus \$500 if we permit you to relocate your Xtension Envy salon. We will provide you with copies of our invoices for our expenses from any third-party providers upon request.
Transfer Fee ⁽¹⁰⁾	50% of our then-current initial franchise fee if transferring to an existing Xtension Envy franchisee; 75% of our then-current initial franchise fee, if transferring to a new franchisee entering the system.	At the time of transfer	Payable in connection with the transfer of your Xtension Envy Salon, a transfer of ownership of your legal entity, or the Franchise Agreement. There are various other conditions you must meet for us to approve your transfer request.
Testing of products or	Actual cost	When billed	This covers the costs of testing new products

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
approval of new suppliers ⁽¹¹⁾			or inspecting new suppliers you propose to us.
Interest ⁽¹²⁾	The lesser of 1.5% per month or the highest commercial contract interest rate allowed by law.	Amounts not received by us within five (5) days after the due date shall incur interest	Due on all overdue amounts.
Maintenance and Refurbishing of Business ⁽¹³⁾	You must reimburse our expenses	As Invoiced	If, after we notify you, you do not undertake efforts to correct deficiencies in store appearance, then we can undertake the repairs and you must reimburse us.
Enforcement Costs ⁽¹⁴⁾	Varies depending on mitigating circumstances.	As incurred.	You must reimburse us for all costs and attorney fees if we are the prevailing party in litigation with you.
Technology Fee	\$125 per month per executed franchise agreement from the date of signing franchise agreement through the date of opening the salon. \$250 per month per franchise agreement thereafter. Subject to change once per calendar year	Due on the 1 st of each month for the upcoming month.	This is paid directly to us for the use of integration software between website, CRM platform, and email account management. It may also include the cost of an intranet platform where training modules, marketing materials and pertinent documents will be made accessible.
Technician Training at Corporate HQ	\$2,500 per training session.	As incurred.	Us by ACH
Client Refunds and Resolution ⁽¹⁵⁾	The amount of any refund we issue to a client, or any costs associated with resolution of a customer complaint.	As incurred.	Us by ACH
Advertising Cooperative ⁽¹⁶⁾	Then-current fee (but not less than 1% of Gross Sales)	As incurred.	This contribution will be used for a regional advertising cooperative consisting of franchisees and corporate owned locations within a delineated geographic location. No advertising cooperatives currently exist, but we have the right to create them during the term of your agreement.
Convention Fee	Then-current fee (currently estimated to be \$500 per person).	Annually	Payable to us to help defray the cost of your attendance at any annual convention that we choose to hold. This fee is due regardless of whether or not you attend our annual convention in any given year.
Management Fee	Will vary, currently \$250 per person per day plus hotel, air fare, and other expenses incurred by us in managing the franchise.	As incurred	You must pay this fee when we (or a third party) manage your franchise after your default or abandonment.
Liquidated damages	Will vary under the circumstances	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.
Use of Unauthorized Marketing Materials	\$250 per occurrence	As incurred	You are required to get our approval to use any marketing material prior to use. You may have to pay this fee for each time you use marketing material without our written approval.
Salon Management and	\$132 for up to 10 users; \$249 for up	Monthly	This is paid directly to us for the use of the

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Point of Sale (POS) platform	to 25 users		salon management/POS platform and member management system.
Software Licensing Fee ⁽¹⁷⁾	Currently, none	As incurred	If we create a proprietary software for us at all Xtension Envy locations, you will pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees.

Notes:

1. **Fees:** All fees paid to Us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via ACH payment or other similar means. You are required to complete the ACH authorization (in the form attached to this Franchise Disclosure Document in Exhibit F. We can require an alternative payment method or payment frequency for any fees or amounts owed to Us or our affiliates under the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. All fees payable to third parties may increase over the term of the Franchise Agreement. Company and affiliate-owned franchised Xtension Envy Salons are not required to pay Royalties.
2. **Royalty Fee:** As a Franchisee, you are obligated to pay us a percentage of your sales as compensation for your rights as a Franchisee (the “Royalty”). The Royalty rate is currently set at 6% of your Gross Sales as calculated per week for the entire term of the Franchise Agreement. Royalty fees shall be payable to us by direct deposit from franchisee’s account. We reserve the right to change the time and manner of payment at any time upon written notice to you.
3. **“Gross Sales”:** means the total selling price of all revenue and income from the sale of all Xtension Envy products and services and other related charges to your customers, whether or not sold or performed at or from your Xtension Envy Salon, and whether received in cash, check, credit card, coupon, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips, and allowances you give in good faith to your customers. All barter and/or exchange transactions in which you furnish products and/or services in exchange for products and/or services provided to you by a vendor, supplier, or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the products and/or services so provided to you.
4. **National Advertising Fund:** you will pay us a National Advertising Fund contribution equal to 2% of your weekly Gross Sales for every month during which this Franchise Agreement remains in effect. The National Advertising Fund contribution is collected by us from all Franchisees. You shall pay the National Advertising Fund contribution at the same time, and on the same terms, as the Royalty Fee described above. We will place all National Advertising Fund contributions in a separate bank account dedicated to the National Advertising Fund. We may use this fund for marketing, local, regional, national, or international advertising, public relations, product and service promotions, surveys, test marketing, research and development, administrative costs related to National Advertising Fund services (including salaries, accounting, collections, legal fees, and any other costs), media expenses, and any other related costs. We will make the expenditures at our sole discretion in accordance with our judgment and needs. We do not represent that any particular level of expenditure will be made for any particular program, or to benefit particular franchisees or franchised locations; nor are we required to dedicate any amount whatsoever on advertising or marketing in the area where you are located. We will not spend any National Advertising Fund funds for activities that are principally or solely a solicitation for the sale of additional franchises. Your contribution to the National Advertising Fund does not create any fiduciary relationship between us and you concerning our expenditure, control, or use of the

National Advertising Fund.

5. **Additional Training or Assistance Fees:** Training fees may be imposed on you in accordance with our policies.
6. **Non-Sufficient Funds Fee:** We may charge you an insufficient funds fee if any payment you owe is rejected due to insufficient funds in your EDTA, or if any other payment instrument you are authorized to use is rejected for insufficient funds.
7. **Audit Expenses:** We will assess Audit fees against you if you fail to provide us reports, supporting records, or any other information we require under the Franchise Agreement; or if you understate Royalty payments, or National Advertising Fund contributions by more than 2%. Audit fees are payable to us, collected by us, and are non-refundable. The total amount of the audit fees that you pay us will vary depending on the cost of the audit itself (for which you will be entirely liable), and whether you have any unpaid Royalties or National Advertising Fund Contributions for which you may be penalized in accordance with the Franchise Agreement.
8. **Indemnification:** You must protect, defend, indemnify, and hold us harmless against any claims, lawsuits, or losses arising out of your operation of the Franchised Business brought by third parties, or any default under the Franchise Agreement. You must pay for any and all damages, legal fees, enforcement, or collection costs, and/or any other costs assessed against us in any proceeding related to your Franchised Business to the extent permitted by law, provided that no indemnification fee shall exceed the actual total costs assessed against us.
9. **Renewal Fee:** Renewal fees are due at the time of renewal of the Franchise Agreement.
10. **Transfer Fee:** The term “transfer” means any of the following: the sale of 20% or more of the assets of your franchise; the sale, assignment, or conveyance of 20% or more of your stock, membership interest, membership units, or partnership units of your franchise to any third party; or the placement of your assets, stock, membership interest, partnership units, or membership units of your business into a business trust.
11. **Testing of Products or Approval of New Suppliers:** You will be required to obtain our written approval for any product, vendor, supplier, or piece of equipment that you wish to use in the operation of our Business (as described in Item 8), and you will be charged an assessment fee for the examination of any product, vendor, supplier, or piece of equipment submitted to us for approval. This fee is up to, but not in excess of, for any single product, vendor, supplier, or piece of equipment you wish to offer, use, and/or substitute in your operation of the Business. We may waive these fees at our sole and absolute discretion if the equipment, products, vendors and/or suppliers you select meet our requirements and are added to our approved list of equipment, products, vendors and/or suppliers for all franchise locations.
12. **Interest:** Interest and late charges begin to accrue from the due date of any payment you owe pursuant to the Franchise Agreement. In addition to any interest and late charges, you must also pay any damages, expenses, collection costs, and/or reasonable attorney fees we may incur when you do not make the required payments, provided no interest charged shall exceed the maximum legal rate of any local, national, or international authority having jurisdiction over your Business activities.
13. **Maintenance and Refurbishment:** We may charge you certain maintenance and refurbishment fees for any work we perform on your behalf to repair or otherwise improve your franchise location, including any such repairs or improvements made on our own initiative if you refuse to complete any requested maintenance or refurbishment. Maintenance and refurbishing fees are payable to us, collected by us, and are non-refundable. The total amount of the maintenance and refurbishment fees that you pay us will vary depending on the labor and material costs of any such maintenance and refurbishing, as well as any associated costs or losses we may incur due to your failure to maintain or refurbish the location in accordance with our requests but will not exceed \$25,000.
14. **Cost of Enforcement:** Cost of enforcing the Franchise Agreement fees will be levied against you if we

prevail against you in any dispute arising out of the Franchise Agreement. The total amount of any such fees will vary depending on the value of legal fees, expert witness fees, accountant fees, costs to us or our employees in complying or addressing the dispute, and any travel expenses that we deem necessary to resolve the dispute.

15. **Client Refunds and Resolution:** If we refund a client of yours due to not meeting the required standard put forth in our operation manual, we will charge you for the amount paid back to your customer. We reserve the right, in our sole discretion, to resolve customer complaints regarding your Franchise on your behalf. You must reimburse us for our costs associated with the required resolution.
16. **Advertising Cooperative:** We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% of Gross Sales. If our own outlets are members of a cooperative, they must contribute to the fund on the same basis as franchisees. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as advertising agency or accounting firm, or to the franchisee members of the cooperative.
17. **Software Licensing Fee:** At any time, we may also develop proprietary software or technology that must be used by all of our franchisees. If this occurs, you agree to enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The terms of the license agreement will govern the terms pursuant to which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third-party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽¹⁾	\$49,500	\$49,500	Lump Sum	When you sign the Franchise Agreement	Us
Tech Setup Fee ⁽²⁾	\$750	\$750	Lump Sum	When you sign the Franchise Agreement	Us
Real Estate Rent Deposits and Pre-Paid Expenses ⁽³⁾	\$15,000	\$25,000	As arranged	As incurred	Third Parties
Traveling costs while training ⁽⁴⁾	\$2,500	\$7,500	As Arranged	Before Opening	Providers of Travel, Lodging, and Food Services
Grand Opening Marketing ⁽⁵⁾	\$15,000	\$20,000	As Arranged	As Arranged	Third Parties
Fixtures, Furnishings and Interior Design Elements ⁽⁶⁾	\$90,000	\$115,000	As Arranged	As Arranged	Third Parties

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Exterior Signage	\$5,500	\$15,000	As Arranged	As Arranged	Third Parties
Equipment	\$1,000	\$2,500	As Required	Before Opening	Third Parties
Computers, hardware, and software ⁽⁷⁾	\$2,000	\$4,000	As Required	As Incurred	Third Parties
Leasehold Improvements ⁽⁸⁾	\$50,000	\$125,000	As Required	As Incurred	Third Parties
Inventory and Supplies	\$65,000	\$75,000	As Arranged	As Arranged	Third Parties, Us
Professional Fees ⁽⁹⁾	\$1,500	\$5,000	As Required	As Incurred	Your Attorneys, Advisors, CPA's And Other Professionals
License, Permits and other Licenses ⁽¹⁰⁾	\$1,000	\$2,500	As Incurred	As Incurred	Gov't Agencies / Third Parties
Insurance ⁽¹¹⁾	\$1,000	\$2,000	As Arranged	As Incurred	Third Parties
Architectural/Engineering Fees ⁽¹²⁾	\$8,000	\$15,000	As Arranged	As Incurred	Third Parties
Additional Funds –3 Months ⁽¹³⁾	\$15,000	\$40,000	As Required	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹⁴⁾	\$322,750	\$503,750			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Xtension Envy franchise. We do not offer direct or indirect financing for these items. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Xtension Envy franchises. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Xtension Envy franchise may be greater or less than the estimates given, depending upon the location of your Xtension Envy franchise, and current relevant market conditions. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of business operations. All expenditures paid to us, or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

- 1. Initial Franchise Fee.** See Item 5 for more information on the Initial Franchise Fee.
- 2. Tech Setup Fee.** This fee goes to offset our costs of setting up our technology in relation to you franchise, such as creating your email address, adding your location to our website and the setup of other technologies required for your Salon.
- 3. Real Estate Rent Deposits and Pre-Paid Expenses.** If you do not own a location for your Xtension Envy Salon, you must purchase or lease a commercial location. Locations for Xtension Envy Salons typically measure from 1,200 to 2,000 square feet. You must use our building specifications for your real property space and design plans for building out, remodeling, or retrofitting your Franchised Business Site. The Site must be approved by us. The location must meet certain basic requirements described in the Franchise

Web-based Operations Manual. The estimate for these deposits includes your first month's rent payment, security deposits and utility deposits (i.e.: telephone, gas, electric and water). We have assumed a security deposit equal to one month's rent, but this may vary with each location.

4. **Traveling Costs while Training.** We provide training at our training center in Scottsdale, Arizona or at another location designated by us. You must pay for airfare, meals, transportation costs, lodging and incidental expenses for all initial training program attendees. Initial training is provided at no charge for up to four people, one of which must be a principal owner; if additional initial training is required or more people must be trained, an additional fee will be assessed.
5. **Grand Opening Marketing.** This cost is for marketing geared toward your grand opening such as local ads, social media campaigns. We require you spend at least \$15,000 on such advertising.
6. **Fixtures, Furnishings.** As described in Item 8, you must purchase all fixtures and furnishings that we specify to operate a Xtension Envy. This estimate includes items provided by a required vendor and other items as deemed necessary. Items include but may not be limited to salon fixtures, furniture, décor items and other items not listed here.
7. **Computers, Hardware, and software.** You must purchase or obtain a computer system prior to opening your Xtension Envy Salon. The computer system will include the hardware and software necessary to operate your Xtension Envy Salon and manage the sales, application, and servicing areas of your Xtension Envy Salon. This estimate also includes office supplies, mobile telephone fees, and high-speed Internet.
8. **Xtension Envy Salon Leasehold Improvements.** The range in this category reflects an estimate for layout and construction build-out costs for your Xtension Envy Salon. Your cost for leasehold improvements will vary depending upon the size of your Xtension Envy Salon, its geographic location, and the work that the lessor may do as a result of the lease negotiation. If you are converting an existing business into a Xtension Envy Salon, your costs may be higher or lower depending on the available assets, and conversion costs. Construction costs in some areas of the country may exceed these estimates. You must meet our standard plans and specifications.
9. **Professional Fees.** We strongly recommend that you hire a lawyer, accountant or other professional to advise you on this Franchise offering and to assist you in setting up your Xtension Envy Salon. Rates for professionals can vary significantly based on area and experience.
10. **Licenses and Permits.** These costs represent fees paid to permit the buildout of you location, business licenses you will need and other similar required payment to government agencies, which can change based on where you open your salon.
11. **Insurance.** You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Xtension Envy Salon, your rates may be significantly higher than those estimated above.
12. **Architect and Engineering.** You must engage the services of a licensed architect and/or engineer in retrofitting or constructing the Franchised Business location.
13. **Additional Funds.** These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Xtension Envy Salon. They include payroll costs during the first three months of operation, but not any draw or salary for you. These figures do not include standard pre-opening expenses, Royalties, or National Advertising Fund contributions payable under the Franchise Agreement or debt service and assume that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Xtension Envy Salon opens for business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Xtension Envy Salon. You must bear any deviation or escalation in costs from the estimates that we have given. Your costs will depend on factors such as: how well you follow our methods and procedures; your management skills, experience, and business acumen; local economic conditions; the local market for your products and services; the

prevailing wage rate; competition; the sales level reached during the start-up period; and the size of your Xtension Envy Salon. Additional funds for the operation of your Xtension Envy Franchise will be required after the first three months of operation if sales produced by the Xtension Envy Franchise are not sufficient to produce positive cash flow.

14. **Figures May Vary.** This is an estimate of your initial startup expenses for one Xtension Envy Franchise. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

You must operate your Xtension Envy Franchise according to our System and specifications. This includes purchasing or leasing all products, services, supplies, materials, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Xtension Envy Franchise under our specifications, which may include purchasing these items from: (i) our designees; (ii) approved suppliers; and/or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential Web-based Operations Manual (“Franchise Web-based Operations Manual”) states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Xtension Envy Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Franchise Web-based Operations Manual or through other written communication (including electronic communication such as e-mail or through a system-wide intranet).

You must purchase, install, maintain in sufficient supply, and use only fixtures, furnishings, equipment, materials, signs, and supplies that conform to the standards and specifications described in the Franchise Web-based Operations Manual or otherwise in writing.

You must use the computer hardware and software systems, applications, and web technologies that we periodically designate to operate your Xtension Envy Salon. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify.

Insurance

You must obtain the insurance coverage required under the Franchise Agreement. You must obtain your required insurance from our required vendor, currently Brown & Brown Insurance of Arizona. It must also be rated “A+” or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties and state that we will receive at least 30 days’ prior written notice of any intent by the insurer to reduce coverage or policy limits, cancel or amend the policy. Below are the required insurance policies and limits you must acquire for your Xtension Envy franchise.

Policy Name	Minimum Limits	
	\$1,000,000	Per Occurrence

Policy Name	Minimum Limits	
Liability Insurance ¹	\$2,000,000	In the Aggregate
Umbrella Policy ²	\$2,000,000	Per Occurrence
Workers' Compensation ³	\$1,000,000	Per Occurrence
Employee Related Practices Liability ⁴	\$1,000,000	Per Occurrence
Commercial Automobile Insurance ⁵	\$1,000,000	Combined Single Limit
Optional: Business Interruption Insurance Property Coverage ⁶	\$50,000	Per Occurrence
Optional: Property Coverage ⁷	\$50,000	Per Occurrence
Optional: Comprehensive Crime and Employee Dishonesty Insurance ⁸	\$50,000	Per Occurrence General

You must also acquire any insurance policy, such as Workers Compensation, required by the state in which you operate in. If we require the same policy as the state you operate in, you must use the higher of the coverage limits.

Purchases from Approved Suppliers

We will provide you with a list of our designated and approved suppliers in our Franchise Web-based Operations Manual.

If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications, and samples we request. We reserve the right to charge a fee to evaluate the proposed supplier, product, or service, not to exceed per evaluation (See Item 6). We do not make our supplier specifications and/or standards generally available to franchisees or suppliers. While we will be required to respond to a request within 14 days, we generally respond to a request for an additional approved supplier within seven days. Our written approval must be received before you use products not purchased from an approved supplier. We may revoke our approval at any time if we determine, in our discretion, that the supplier no longer meets our standards. When you receive written notice of a revocation, you must stop selling any disapproved products, and stop purchasing from any disapproved supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to Xtension Envy Franchises to ensure timely delivery of the product or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products, and we reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product, or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

You must purchase all products, equipment, supplies, and materials only from approved suppliers (including manufacturers, wholesalers, and distributors). We estimate that approximately seventy-five percent (75%) of purchases required to open your Xtension Envy Salon and thirty percent (30%) of purchases required to operate your Xtension Envy Salon will be from us or from other approved suppliers or under our specifications.

Purchases from US

We will derive revenue or other material consideration from required purchases by you. We will not derive revenue or other material consideration from required leases by you. You must buy certain supplies for your franchise from us.

We and our affiliates may receive rebates from some suppliers based on your purchase of services and products and we have no obligation to pass them on to our franchisees or use them in any particular manner. We may negotiate purchase arrangements with suppliers and distributors for the benefit of our franchisees and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. We currently do not have any purchasing or distribution cooperatives.

During our last fiscal year, we received no revenue from franchisees' required purchases and leases of products and services.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 4, 8 and Attachment A	Items 7 and 11
b. Pre-opening purchases/leases	Sections 5, 6 and 8	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 5, 6 and 7	Items 7 and 11
d. Initial and ongoing training	Sections 6, 7 and 9	Items 6,7 and 11
e. Opening	Sections 4, 6 and 8	Items 6,7,9, and 11
f. Fees	Sections 6, 7, 8, 9, 12, 13, 15 and 18	Items 5, 6 and 7
g. Compliance with standards and policies/Franchise Web-based Operations Manual	Sections 1,4, 13 and 18	Items 8, 11, 12, 14
h. Trademarks and proprietary information	Sections 1, 3, 16 and 19	Items 13 and 14
i. Restrictions on products/services offered	Sections 1 and 13	Items 8 and 16
j. Warranty and customer service requirements	Sections 6 and 13	Items 1 and 11
k. Territorial development and sales quotas	Section 4	Items 1, 11 and 12
l. Ongoing product/service purchases	Sections 12 and 13	Items 8 and 16
m. Maintenance, appearance, and remodeling requirements	Sections 8, 9 and 13	Items 7, 8 and 11
n. Insurance	Section 17.1	Items 6, 7 and 8
o. Advertising	Sections 12, 14 and 15	Items 11, 13 and 14
p. Indemnification	Section 20 and Attachment A	Not Applicable
q. Owner's participation/management and staffing	Sections 6, 9, 13 and 16	Items 11, 15 and 17

Obligation	Section in Franchise Agreement	Disclosure Document Item
r. Records and reports	Section 17	Item 11
s. Inspections and audits	Section 18	Items 6 and 11
t. Transfer	Section 21	Item 17
u. Renewal	Section 5	Item 17
v. Post-termination obligations	Section 23	Item 17
w. Non-competition covenants	Sections 16 and 19	Item 17 and <u>Exhibit F-2</u>

ITEM 10. FINANCING

We nor our affiliates offer any form of financing.

ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING

Except as listed below, Xtension Envy Franchise Group, LLC is not obligated to provide you with any assistance.

Pre-opening Obligations

Before you open your Xtension Envy Salon, we (or our designee(s)) will provide the following assistance and services to you:

1. Provide an initial training program at a location designated by us (“Initial Training Program”) for up to three people. If you want to have additional persons attend the Initial Training Program, then you must pay to us a fee in an amount set by us for each additional attendee (see Item 6). You must also pay the wages, travel, lodging, and living expenses of each required and additional attendee of yours. All persons who attend our Initial Training Program must complete it to our satisfaction. You may not employ a (“Designated Salon Manager”) that does not complete this Initial Training Program to our satisfaction (See Item 15 and Franchise Agreement – Section 6.1).
2. Provide approval of the site for your Franchised business which must be located in your Protected Territory. As of the date this Franchise Disclosure Document was issued, these basic requirements consisted of requiring that the location: (i) be in your territory; and (ii) comply with any applicable rules or laws applicable to related business activity.
3. Provide you with mandatory and discretionary specifications for the Xtension Envy Salon, including standards and suggested criteria for design, image, and branding of the location and trade dress. (See Franchise Agreement – Section 8.1, 8.3, 13.2 and 13.7).).
4. Identify operating assets, computer systems, and other products and supplies that you must use to develop and operate your Xtension Envy Salon; establish minimum standards and specifications that you must satisfy while operating your Xtension Envy Salon; and identify the designated and approved suppliers from whom you may be required to purchase and/or lease items for your Xtension Envy Salon (See Franchise Agreement – Section 8.3, 13.3, 13.4, 13.5 and 13.6).
5. Provide you with materials and consultation in connection with the grand opening marketing for your Xtension Envy Salon (See Franchise Agreement – Section 12.2.2)

Schedule for Opening

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of your Xtension Envy Salon can vary from 6 to 9 months. Some factors which may affect this timing are your ability to secure any necessary financing; your ability to obtain any necessary permits and certifications; the time to complete required training; the timing of the identifying of your location and the completion of the leasehold improvements; the receipt of any inventory or equipment; and hiring and training of your staff. We charge a fee of \$500 per month for every month you are not open starting 9 months after the effective date of your Franchise Agreement. If you have not opened your location within 15 months of the effective date you will be in default of you Franchise Agreement and your agreement may be terminated. You must secure a location for your Xtension Envy Salon within 3 months of the effective date of the Franchise Agreement.

Continuing Obligations

During the operation of your Xtension Envy Salon, we (or our designee(s)) will provide the following assistance and services to you:

1. Inform you of mandatory standards, specifications, and procedures for the operation of your Xtension Envy franchise (See Franchise Agreement – Sections 9.1, 9.2, 9.3, 9.4, and Section 13).
2. Upon reasonable request, provide advice regarding your Xtension Envy Salon’s operations based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone, or other methods in our discretion (See Franchise Agreement – Sections 7.4 and 7.5).
3. Provide you with advice and guidance on advertising and marketing (See Franchise Agreement – Sections 12.2., 12.2.4 and 12.1).
4. Provide additional training to you for newly hired personnel on the Xtension Envy brand and system guidelines, refresher training courses and additional training or assistance that, at our discretion, you need or request. You may be required to pay additional fees for this training or assistance (See Franchise Agreement – Sections 6 and 7).
5. Allow you to continue to use confidential materials, including the Franchise Web-based Operations Manual and the Marks (See Franchise Agreement – Sections 8 and 9).

Optional Assistance

During the term of the Franchise Agreement, we (or our designee(s)) may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment, or new techniques (See Franchise Agreement – Section 13).
2. Make periodic visits to the Xtension Envy Salon for the purpose of assisting in all aspects of the operation and management of the Xtension Envy franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Xtension Envy franchise, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then current training charges (See Franchise Agreement – Section 6).
3. Maintain and administer a National Advertising Fund. We may dissolve the National Advertising Fund upon written notice (See Franchise Agreement – Section 12.2).
4. Hold periodic national or regional conferences to discuss business and operational issues affecting Xtension Envy franchisees.

Advertising

National Advertising Fund

You must pay two percent (2%) of your Gross Sales for the National Advertising Fund (“National Advertising Fund Contribution”). Your contribution to the National Advertising Fund will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the National Advertising Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Xtension Envy Salons owned by us will contribute to the National Advertising Fund on the same basis as franchisees.

The National Advertising Fund will be administered by us or our affiliates or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The National Advertising Fund will be in a separate bank account, commercial account, or savings account. We have complete discretion on how the National Advertising Fund will be utilized. We may use the National Advertising Fund for local, regional, or national marketing; advertising; sales promotion and promotional materials; public and consumer relations; website development and search engine optimization; the development of technology for the System; and any other purpose to promote the Marks. We may use any media for disseminating National Advertising Fund advertisements, including direct mail, print ads, the Internet, radio, billboards, and television. We may reimburse ourselves, our authorized representatives; or our affiliates from the National Advertising Fund for administrative costs; independent audits; reasonable accounting, bookkeeping, reporting and legal expenses; taxes; and all other direct or indirect expenses associated with the programs funded by the National Advertising Fund. We do not guarantee that advertising expenditures from the National Advertising Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the National Advertising Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the National Advertising Fund or to maintain, direct or administer the National Advertising Fund. Any unused funds that were collected in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the National Advertising Fund on any terms we deem reasonable.

The National Advertising Fund is not audited. Upon written request, we will provide to you an annual accounting for the National Advertising Fund that shows how the National Advertising Fund proceeds have been spent for the previous year. We did not collect or spend any National Advertising Fund Contributions during our last fiscal year.

Advertising Cooperatives

We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% of Gross Sales. If our own outlets are members of a cooperative, they must contribute to the fund on the same basis as franchisees. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives must prepare annual financial statements, and which are available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

Local Advertising

There is no required spending for local advertising. We recommend, but do not require that you spend 2% of your Gross Sales on local advertising. You agree, at your sole cost and expense, to issue and offer such rebates, giveaways, and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, giveaways, and other promotions issued by other Xtension Envy Franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. You will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Xtension Envy Salons, and you will not issue coupons or discounts of any type except as approved by us.

You must order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 12 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks and other name identification materials must follow our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval. If we approve of promotional items or services that will be sold in your Xtension Envy Salon, those items or services must be in your Gross Sales, and will be subject to Royalties, and the National Advertising Fund Contributions.

System Website

We have established a main website for Xtension Envy Salons (“System Website”). We will list your franchised Xtension Envy on the locations page of our website with basic information about your Salon. You may not establish or maintain any other website or engage in any other electronic marketing of products or services without our prior written approval. You may be requested to provide content for our Internet marketing, and you must follow our intranet and Internet usage rules, policies, and requirements.

You are required to follow our online policy, which is contained in our Franchise Web-based Operations Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

As long as we maintain a System Website, we will have the right to use the National Advertising Fund assets to develop, maintain and update the Meevo. We may update and modify the Meevo from time to time. You must promptly notify us whenever any information on your listing changes or is not accurate. We have final approval rights of all information on the Meevo. We may implement and periodically modify System Standards relating to the Meevo.

We are only required to reference your Xtension Envy Salon on the System Website while you are in full compliance with your Franchise Agreement and all System Standards. If you are in default of any obligation under the Franchise Agreement or System Standards, then we may temporarily remove references to your Xtension Envy Salon from the System Website until you fully cure the subject default(s). You may not, without our prior written approval, develop, maintain, or authorize any website that mentions or describes you, your Xtension Envy Salon, or displays any of the Marks. If we approve your use of a website, including social media websites, we will reserve the right to require you to obtain our written approval of its initial content and as it is updated or modified from time to time. If we develop a template or other standardized

format and/or content for franchisee websites, you must agree to use our mediums. You may not sell products or services not approved by us in the Franchise Web-based Operations Manual on your Xtension Envy Salon website without our prior written approval (See Franchise Agreement – Section 13.4).

Advisory Council

We currently do not have, but may form, an advisory council (“Council”) to advise us on advertising policies. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council would be selected by way of a voting method specified in the Council’s bylaws. The Council would serve in an advisory capacity only. We will have the power to form, change or dissolve the Council, in our sole discretion.

Computer System

You are required to purchase a computer system from our required vendor that consists, at a minimum, of the following hardware (a) three (3) Apple iPads; (b) four (4) wireless barcode scanners; (c) one (1) receipt printer; (d); one (1) cash drawer; (e) one (1) card reader; (f) one (1) low profile touch screen all in one front desk computer; (g) a commercial quality laser or inkjet printer. Items a-e are available as “bundles” through the required vendor. You will also be required to purchase the following software which you **MUST** implement in your Xtension Envy franchise (a) Meevo POS system; (b) QuickBooks Online; and (c) Fran Metrics. We estimate the cost of purchasing the Computer System will be between \$2,000 - \$4,000. The Computer System will manage the daily workflow of the Xtension Envy Salon; coordinate the customer experience; provide installation information; manage accounts payable and receivable; document business accounting according to GAAP; manage labor and other information. You must record all Gross Sales on the Computer System and cloud-based accounting system. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your Xtension Envy Franchise. You must also maintain a high-speed Internet connection at the Xtension Envy Salon. You must use any credit card vendors and accept all credit cards and debit cards that we determine. The term “credit card vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, “Apple Pay” and “Google Wallet”). We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the computer. You must arrange for installation, maintenance, and support of the Computer System at your cost (See Franchise Agreement – Section 13.6). There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance repairs or upgrades relating to the Computer System. We cannot estimate the cost of maintaining, updating, or upgrading the Computer System or its components because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time. We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation. We estimate that such cost will be approximately \$1,000 annually.

We (or our designee(s)) have the right to independently access the electronic information and data relating to your Xtension Envy Franchise and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Xtension Envy Salon or from other locations. We require you to give us access to your QuickBooks Online account with permission to read all reports.

Training

Initial Training

You and any Designated Salon Manager or representative that we require must complete the Initial Training Program to our satisfaction before you open your Xtension Envy Salon. We provide initial training at no cost. You and your Designated Salon Manager must complete the training program to our reasonable satisfaction, as determined by the specific program instructors before you are able to open your Xtension Envy Salon. Initial training classes are held whenever necessary to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in the Initial Training Program. You are responsible for all of your expenses to attend any training program, including lodging, transportation, food, and similar expenses.

We will not provide general business or operations training to your employees or independent contractors; however, we may provide limited training on the Xtension Envy System and brand standards to your key employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the Xtension Envy Salon. You will be responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Xtension Envy Salon.

We plan to provide the training listed in the table below. We reserve the right to vary the length and content of the Initial Training Program based upon the experience and skill level of the individual attending the Initial Training Program.

In addition to the below training, Lead Stylists employed at your Salon will be required to attend a five (5) day training at our Corporate Salon prior to your Xtension Envy Salon opening.

TRAINING PROGRAM

Subject	Hours of Classroom Training (HR)	Hours of On-The-Job Training (HR)	Location
Bookkeeping and Reporting	1	0	Classroom
Buildout and FF&E	2	1	Classroom
Employee Recruiting	1	0	Classroom
Employee Training	1	2	Classroom
Inventory Management	1	2	Classroom and Corp Salon in Scottsdale, AZ
Marketing	1	0	Classroom
POS System	2	2	Classroom and Corp Salon in Scottsdale, AZ
Products	1	1	Classroom and Corp Salon in Scottsdale, AZ
Q&A	1	1	Classroom
Sales Training	2	2	Classroom and Corp Salon in Scottsdale, AZ
Salon Operations	2	2	Classroom and Corp Salon in Scottsdale, AZ
Salon Sanitation	1	0.5	Classroom and Corp Salon in Scottsdale, AZ
Salon Supplies	1	1	Classroom and Corp Salon in Scottsdale, AZ
Site Selection	1	1	Classroom
Starting a Business	0.5	0	Classroom

Subject	Hours of Classroom Training (HR)	Hours of On-The-Job Training (HR)	Location
Pre-opening On-Site assistance ⁽⁵⁾		24 – 50	Franchisee’s Location over 3 to 6 days. Franchisee must be present. Must be done one to two weeks prior to opening.
Hours Subtotals	18.5	39.5 – 65.50	
Total Hours	58 - 84		

Notes:

1. We reserve the right to vary the length and content of the Initial Training Program based upon the experience and skill level of the individual attending the Initial Training Program. We will use the Franchise Web-based Operations Manual as the primary instruction materials during the Initial Training Program.
2. Christine Lewandowski currently oversees our training program to which she brings more than 20 years of industry experience. You can find more information on Christine in ITEM #2.
3. Other instructors will include experienced Xtension Envy trainers, administrative staff, managers and/or assistant managers who have minimum of 2 years of experience.
4. All training will take place at the location of our choice in or around Scottsdale, AZ , online, or at your location and may include classroom sessions in or outside of the corporate salon.
5. Franchisees who have opened two prior franchised locations may not receive the Pre-opening On-Site assistance portion of our training program. We highly recommend having your employees present Pre-opening On-Site assistance training.

Ongoing Training

From time to time, we may require that you or your Designated Salon Managers attend system-wide refresher or additional training courses.

If you appoint a new Designated Salon Manager, that person must attend and successfully complete our Initial Training Program before assuming responsibility for the management of your Xtension Envy Salon. You may also request that we provide additional training (either at corporate headquarters or at your Xtension Envy Salon).

You may be required to attend an annual meeting of all franchisees at a location we designate and pay a convention fee if we hold an annual meeting of all franchisees (See Item 6). You are responsible for all travel and expenses for your attendees.

ITEM 12. TERRITORY

The Xtension Envy Franchise Agreement grants you a Protected Territory, which means that during the term of the Franchise Agreement, we will not establish or franchise others to establish another Xtension Envy Salon within your Protected Territory.

You must operate your Business at the specific location identified in your Franchise Agreement Attachment A. You are awarded a Protected Territory (the “Territory”) that will include a Protected business area that will be determined on a case-by-case basis to account for the unique features of each geographic marketplace. You may not conduct business at any other site or sites other than the Territory as described in your Franchise Agreement, or any additional part of the Territory that may be added by an addendum attached to your

Franchise Agreement. You may not relocate your business within the Territory without our express written consent. While you must conduct your business at the primary location, you may also conduct additional activities to sell products and/or provide services (for example at promotional events, charity events, etc.), so long as such events are within your Territory. You may conduct business at off-site events in other geographical areas where there is not a Xtension Envy Salon only after providing notice to us and after obtaining our explicit written approval.

Your Protected Territory is determined by population, competition, traffic patterns, proximity to major roads, demographics of the surrounding area, available parking, market penetration, and/or other conditions important to the successful operation of a Xtension Envy Salon, as we deem appropriate and as identified in your Franchise Agreement. We retain the right to delineate the exact bounds of your Protected Territory once a primary location is chosen, and such Territory shall not be altered even if there is a population increase or decrease, unless we decide otherwise in our sole and absolute discretion. Your Territory will also not be affected by the number of customers you retain, products or services that you sell, your revenues, or your sales volume. Certain locations, such as major metropolitan areas may have smaller territories due to the relative density of the populated areas. You may not open your primary location in the Territory for your Business until we grant you our explicit written permission. You may not relocate your Business or establish additional locations within your Territory until we grant you our explicit written consent, such consent to be given at our sole and absolute discretion. We will base any such consent on traffic patterns at your proposed new location, a study of the local population, and a review of your lease agreement.

You are prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory. If you renew your Franchise, your Territory may be modified depending on the then-current demographics of the Territory and on our then-current standards for territories.

During the term of the Franchise Agreement, if you are in compliance with the Franchise Agreement, we will neither establish nor operate nor license another to establish or operate a Xtension Envy Salon using the Marks and System within the territory assigned to your Xtension Envy Salon. For the purposes of sales credit and customer acceptance, you are obligated to verify that any services are performed only within the boundaries of your Territory unless you have written approval from us. We have the right to charge you, and if applicable credit the appropriate franchisee for any service revenue derived from services performed, without approval, outside your assigned Territory boundaries. The protection afforded under this paragraph relates solely to the operation of a Xtension Envy Salon. We retain all other rights. Specifically, but not exclusively, we and/or our affiliates, licensees or designees have the right to: (i) operate and license others the right to operate Xtension Envy Salons using the Marks and System outside the Territory; (ii) distribute products and services, now existing or developed in the future, in your Territory in the manner and through the channels of distribution as we, in our sole discretion, will determine.

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

We, and our affiliates, have the right to operate, and to license others to operate, Xtension Envy Salons at any location outside the Territory, even if doing so will or might affect the operation of your Xtension Envy Salon. We retain the right, for ourselves and our affiliates, on any terms we deem advisable, and without granting you any rights:

1. To own, franchise or operate Xtension Envy Salons at any location outside of the Territory, regardless of the proximity to your Xtension Envy Salon;
2. To purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Xtension Envy Salon, wherever located;
3. To use the Marks and the System to sell any products or services similar to those which you will sell,

through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;

4. To acquire and convert to the System operated by us, any businesses offering products and services similar to those offered by Xtension Envy Salons, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately-owned and whether located inside or outside of the Territory, provided that in such situations the newly-acquired businesses may not operate under the Marks in the Territory;
5. To implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.


We are not required to pay you if we exercise any of the rights specified above within your Territory. The continuation of the Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. We do not pay compensation for soliciting or accepting orders inside your Territory.

If you wish to purchase an additional Xtension Envy Franchise, you must apply to us, and we may, at our discretion, offer an additional Xtension Envy Franchise to you. We consider a variety of factors when determining whether to grant additional Xtension Envy Franchises. Among the factors we consider, in addition to the then-current requirements for new Xtension Envy Franchisees, are whether or not the franchisee is in compliance with the requirements under their current franchise agreement.

You do not receive the right to acquire additional Xtension Envy Franchises within the Territory. You are not given a right of first refusal on the sale of existing Xtension Envy Franchises.

ITEM 13. TRADEMARKS

The Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the System, which includes the use of the Marks (as defined below). You may only use those Marks as designated by us in writing for your use, and you may use them only in the manner permitted by us. You may also use other current or future trademarks, service marks, logos, trade dress, or other source identifiers that we approve to identify your Xtension Envy Franchise, including those listed below (each, a “**Mark**”; collectively, the “**Marks**”). We are not the owners of the Marks you will use in connection with your Xtension Envy Franchise. We have entered into a trademark licensing agreement with USAMAO LLC, the owner of the Marks, which grants us the right to sublicense these Marks to franchisees.

Mark	Registration No.	Registration Date	Principal or Supplemental Register
Xtension Envy	6786539	July 12, 2022	Principal
Xtension Envy	7020008	April 4 ,2023	Principal
XE Blends	6848375	September 13, 2022	Principal
XTENSION  ENVY	6848432	September 13, 2022	Principal

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court. There are no known pending infringement claims, oppositions, cancellation proceedings, or any other court proceeding regarding any of our Marks, our ownership of the above Marks, or our ability to use the Marks. All required affidavits have been filed.

No agreement significantly limits our right to use or license the Marks in any manner material to the Xtension Envy Salon. We do not know of any superior prior rights or infringing uses that could materially affect your use of the Marks.

You must follow our rules and other quality-control guidelines when using the Marks. You cannot use our name or Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Xtension Envy Salon that you are an independently-owned and -operated licensed franchisee of Xtension Envy Franchise, LLC. You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the Xtension Envy Salon, or any interest in the Franchise. All rights, titles, and interests in and to the Marks that accrue from their use, and all associated goodwill accruing from that use, inures solely to us and our benefit.

If it becomes advisable, at any time, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute source identifiers, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

We will defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us within three days if you learn that any party is using the Marks or other source identifiers that are confusingly similar to any of the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a Mark licensed by us to you.

You must not directly or indirectly contest our or USAMAO LLC's rights to the Marks. We may acquire, develop, or use additional Marks or source identifiers not listed here, and may make those Marks or source identifiers available for your use and for use by other franchisees.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Franchise Web-based Operations Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Franchise Web-based Operations Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("Copyrighted Works") for the operation of your Xtension Envy Franchise, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any

Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Franchise Web-based Operations Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation and franchising of Xtension Envy Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Xtension Envy Franchises and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Franchise Web-based Operations Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Confidential Information and Trade Secrets.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Xtension Envy Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Xtension Envy Franchises during the term of the Franchise Agreement.

You must notify us within three days after you learn about another’s use of language, a visual image, or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets, and we are not required to participate in the defense of, or provide indemnification to you in connection with, any proceeding related to the Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets. If we require you to modify or discontinue use of the Copyrighted Works, Confidential Information or Trade Secrets, you must comply with all of our requirements.

No patents or patents pending are material to us at this time.

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

An Xtension Envy Franchise shall be managed by you, or if you are an entity, one shareholder, partner, or member who is a natural person designated in writing to us as the person to make all decisions for the franchisee entity and run the day-to-day operations. We may allow you to appoint a Designated Salon Manager (“Designated Salon Manager”) to run the day-to-day operations of the Xtension Envy Salon. The Designated Salon Manager must successfully complete our training program (See Item 11). We may require that the Designated Salon Manager have an ownership interest in the legal entity of the Franchise owner. If you replace a Designated Salon Manager, the new Designated Salon Manager may be required to satisfactorily complete our training program at your own expense.

If you are not an individual, you must designate an “Operating Principal” acceptable to us who will be principally responsible for communicating with us about the Xtension Envy Salon. The Operating Principal must have the authority and responsibility for the day-to-day operations of your Xtension Envy Salon and must have at least ten percent (10%) equity.

Any Designated Salon Manager and, if you are an entity, an officer that does not own equity in the franchisee entity must sign the “System Protection Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit F. All of your employees, independent contractors, agents, or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit F. If you are an entity, each owner (i.e., each person holding an ownership interest in you) must sign an Owners Agreement guaranteeing the obligations of the entity, in the form of which is attached to the Franchise Agreement as Attachment B. We also require that the spouses of the Franchise owners sign the Owners Agreement. The Owners Agreement contains a personal guaranty and covenant not to compete.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those products and services authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees and may vary depending on the operating season and geographic location of your Xtension Envy Salon or other factors. You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of products and services specified by us, provided you or your Designated Salon Manager has been certified to offer the products and services. We may change or add to our required products and services, at our discretion, with prior notice to you. There are no limits on our right to make such changes. If we change or add to our required products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not sell products or services, or advertise products or services, within another franchisee’s territory. You may not establish an account or participate in any social networking sites or blogs or mention or discuss the Franchise, us, or any of our affiliates, without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet, or mail order sales.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 5	10 Years
b. Renewal or extension of the term	Section 5	If you are in good standing and you meet other requirements, you may add two successor term of 10 years each under the terms of our then current Agreement. The renewal fee will be the greater of \$4,500 or 10% of the current Franchise fee.
c. Requirements for franchisee to renew or extend	Section 5	Your successor franchise rights permit you to remain as a Franchisee after the initial term of your Franchise Agreement expires. You must sign our then-current Franchise Agreement and any ancillary documents for the successor term, and this new franchise agreement may have different terms and conditions (including, e.g., higher Royalty and advertising contributions) from the Franchise Agreement that covered your initial term.
d. Termination by franchisee	Section 22	The Franchise Agreement does not give you any right to terminate. You may seek termination upon any grounds permitted by law.
e. Termination by franchisor without “cause”	Not Applicable	Not Applicable.
f. Termination by franchisor with “cause”	Section 22	We can terminate upon certain violations of the Franchise Agreement by you.
g. Curable defaults	Section 22	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Web-based Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults that require cure in a shorter time and non-curable defaults. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
h. Non-curable defaults	Section 22	Non-curable defaults: We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely establish, equip and begin operations of the franchised business; fail to have your Owner Operator satisfactorily complete training; fail to maintain all required professional licenses, permits and certifications for more than 5 business days; made a material misrepresentation or omission in the application for the franchise; were or are convicted of or plead no contest to a felony or other

Provision	Section in Franchise Agreement	Summary
		<p>crime or offense likely to affect the reputation of either party or the Franchised Business; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect either party or the Franchised Business; use the Web-based Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, other executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-compete agreements; abandon the franchised business for 5 or more consecutive days; surrender or transfer control of the franchised business in an unauthorized manner; fail to maintain the Franchised Business under the supervision of an Owner Operator following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 2%; insolvency; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate on 2 or more occasions any health, safety or other laws or operate the franchised business in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; if you commit three (3) or more curable defaults during the Term. repeatedly breach the franchise agreement or comply with specifications; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement.</p>
i. Franchisee’s obligations on termination/non-renewal	Sections 22 and 23	Obligations include complete de-identification; payment of amounts due; and return of confidential Franchise Web-based Operations Manual, all Confidential Information, Trade Secrets, and records.
j. Assignment of contract by franchisor	Section 23	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Section 21	Includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest or change of ownership in the Franchise Agreement, the Franchise or interest in the Franchise.
l. Franchisor approval of transfer by franchisee	Section 21	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 21	<p>New owner must have sufficient business experience and financial resources to operate the Franchise; you must pay all amounts due; new owner and employees must complete the Initial Training Program; your landlord must consent to the transfer of the lease; you must pay transfer fee of 50% of our then-current initial franchise fee if transferring to an existing Extension Envy franchisee; 75% of our then-current initial franchise fee, if transferring to a new franchisee entering the system.; you must sign a general release in favor of us; new owner must agree to bring the Xtension Envy Salon up to current standards; new owner signs a new franchise agreement in the</p>

Provision	Section in Franchise Agreement	Summary
		then- current form; you must sign a non-compete agreement not to engage in a competitive business for two years within 25 miles of that Franchise or another Xtension Envy Franchise.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 21	We have 30 days to match any offer for your Xtension Envy Salon.
o. Franchisor’s option to purchase franchisee’s business	Section 24	We may, but are not required to, purchase your Xtension Envy Franchise, inventory, or equipment at fair market value if your Xtension Envy Franchise is terminated for any reason by giving you written notice of our intent to exercise this option within 30 days after the date of termination or expiration of the Franchise Agreement.
p. Death or disability of Franchisee	Section 21.4	The Franchise Agreement must be transferred or assigned to a qualified party within 180 days of death or disability, or the Franchise Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.
q. Non-competition covenants during the term of the Franchise	Section 16.3	Neither you, your principal owners, nor any immediate family members of you or your principal owners may participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees’ Xtension Envy Franchise(s).
r. Non-competition covenants after the Franchise is terminated or expires	Section 16.4	Owners and their spouses cannot have any direct or indirect interest in, own, manage, operate, finance, control or participate in any competitive business within a 25-mile radius of your Xtension Envy Salon
s. Modification of agreement	Sections 7, 9 and 19	No modifications of the Franchise Agreement during the term unless agreed to in writing, but the Franchise Web-based Operations Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.
t. Integration/merger clause	Section 25.8	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 25	Except for certain claims, all disputes must be mediated and arbitrated in Maricopa county in Arizona.
v. Choice of forum	Section 25	All disputes must be mediated, arbitrated, and if applicable, litigated in Maricopa county in Arizona. except as provided in the State-Specific Addendum to this Franchise Disclosure Document, subject to applicable state law.
q. Non-competition covenants during the term of the Franchise	Section 16.3	Neither you, your principal owners, nor any immediate family members of you or your principal owners may participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees’ Xtension Envy Franchise(s).

ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote our franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets if there is a reasonable basis for the information, and if the information is included in this disclosure document. Financial performance information that differs from any included in this Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet that you are considering buying; (2) or 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.

This Item contains a historic financial performance representation for the years 2021, 2022, and 2023 of gross revenue, operating expenses, and estimated debt payment, and remaining margin of our affiliate-owned Xtension Envy outlet. Our affiliate owned outlet is a similar size as expected franchisee outlets and represents the sale of products and services that will be available for franchisees to sell. Our affiliate-owned outlet operate without the requirement to pay Royalty or National Ad Fund Contribution and operate without any geographical limitations.

	2021	2022	2023
Gross Revenue	\$1,100,000	\$1,490,000	\$1,738,000
Operating expenses	\$747,295	\$938,108	\$1,086,493
Estimated Debt payment	\$40,400	\$40,400	\$40,400
Net Profit before Royalties and Ad fund	\$312,305	\$511,492	\$611,107
Estimated Royalties 6%	\$66,000	\$89,400	\$104,280
Estimated National Ad Fund 2%	\$22,000	\$29,800	\$34,760
Net Profit After Franchise Related Expenses³	\$224,305	\$392,292	\$472,067

Notes:

(1) This parent-owned location is substantially similar to the Xtension Envy businesses for which we are offering franchises in this disclosure document, and their services and products are the same as those to be offered and sold by a franchised Xtension Envy business. This parent-owned and operated Xtension Envy location operates in a similar-sized footprint with similar product pricing commensurate with franchised Xtension Envy product pricing with a wide range of demographics and business conditions found in urban and suburban markets, but has been in operation since November 2017. The basis of accounting used by the parent-owned unit is determined by the individual location, but generally is cash basis accounting. The figures in the above financial performance representation have not been audited. You should estimate your own costs and expenses including, but not limited to, inventory, marketing, insurance, royalties, rent, wages, payroll taxes and professional fees.

(2) Gross Revenue is defined as the total pre-sales tax receipts from all sales from services and products offered.

(3) This figure represents the Net Profit less Estimated Royalty and Estimated National Ad Fund.

A single outlet has sold this amount. Your individual results may differ. There is no assurance that you will sell 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 Scott Lewandowski at 14850 N. 87th Street, Suite 130, Scottsdale, AZ 85260 phone number (612) 418-9900, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System-wide Outlet Summary for Years 2021 - 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned*	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	1	0

*Owned by our Parent XE Holdings, LLC

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2021 - 2023

State	Year	Number of Transfers
Arizona	2021	0
	2022	0
	2023	0

Table No. 3

Status of Franchised Outlets for Years 2020 - 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Arizona	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4

Status of Company-Owned Outlets for Years 2021 - 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

*Owned by our Parent XE Holdings, LLC

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

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
Colorado	0	1	0
Utah	0	1	0
Total	0	3	0

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit C. The name and last known address and telephone number of every franchisee who has had a Xtension Envy Franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the one-year period ending December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit C. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the Xtension Envy. You may wish to speak with current and former franchisees but know that not all such franchisees can communicate with you. During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Xtension Envy. If you buy a Xtension Envy Franchise, your contact information may be disclosed to other buyers when you leave the system.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific Franchise organizations.

ITEM 21. FINANCIAL STATEMENTS

An unaudited opening balance sheet for Xtension Envy Franchise Group, LLC for the initial period ending May 31, 2020, an audited year end closing balance sheet for the year 2021, audited financial statements for the year 2022, audited financial statements for the year 2023 and unaudited financials as of March 7, 2025 are attached to this Disclosure Document as Exhibit B.

Our fiscal year end is December 31st.

ITEM 22. CONTRACTS

Exhibit A -- Franchise Agreement

Exhibit E -- State Addenda and Agreement Riders

Exhibit F -- Contracts for use with the Xtension Envy Franchise

Franchise General Release Agreement Waiver and Release of Claims

Xtension Envy Franchise Protection Agreement
Xtension Envy Franchise Confidentiality Agreement
Automated Clearing House Payment Authorization Form
Xtension Envy Franchise Approval of Requested Assignment

ITEM 23. RECEIPTS

The last pages of this Franchise Disclosure Document, Exhibit H, are a detachable document, in duplicate. Please detach, sign, date and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

EXHIBIT A

FRANCHISE AGREEMENT

XTENSION  ENVY

THE HAIR EXTENSION SALON

FRANCHISE AGREEMENT

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ATTACHMENTS:

Attachment A	Franchise Data Sheet
Attachment B	Ownership Interests
Attachment C	Owners Agreement
Attachment D	Addendum to Lease

**XTENSION ENVY FRANCHISE GROUP, LLC FRANCHISE
AGREEMENT**

This Xtension Envy Franchise Group, LLC Franchise Agreement (this “Agreement”) is entered into this day of __, 20__(the “Effective Date”) between Xtension Envy Franchise Group, LLC, an Arizona Limited Liability Company (“we” or “us”) and _____, a(n) _____ (“you”).

WITNESSETH:

WHEREAS, as the result of the expenditure of time, skill, effort, and money, we have developed and own a unique and distinctive proprietary system (hereinafter “System”) relating to the establishment and operation of a hair extension salon under the name “Xtension Envy” offering hair extension sales, installations, and ongoing hair extension maintenance to include coloring, washing, blow outs, straightening and cuts;

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, furnishings, décor, and color scheme; proprietary products; uniform standards, specifications, and procedures for operations; proprietary trade practices, trade dress and know-how; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by us from time to time;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark “Xtension Envy” and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by us in writing) for use in connection with the System (hereinafter referred to as “Marks”, and, together with the System and the Manual (defined below), collectively, the “Intellectual Property”);

WHEREAS, we will continue to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance and service;

WHEREAS, you understand and acknowledge the importance of our high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications; and

WHEREAS, you desire to use the System in connection with the operation of a Xtension Envy business at the location accepted by us as herein provided, as well as to receive the training and other assistance provided by us in connection therewith.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. INCORPORATION OF RECITALS

The recitals set forth above are true and correct and are hereby incorporated by reference into this Agreement. You hereby warrant, represent, covenant, and acknowledge to us that:

(i) You have had no part in the creation or development of the System, the Marks or any other proprietary information provided by us.

(ii) You are entering into this Agreement after having made an independent investigation of our operations, and not upon any representation as to the sales, profits, or earnings which you might realize.

(iii) We have not made any representations or promises to you which are not contained in this Agreement or the Franchise Disclosure Document you received, and you have not relied upon, nor have we made, any warranties, expressed or implied, as to the potential success of the business contemplated herein.

(iv) You understand that the System is continually evolving and that we have the right to make changes therein from time to time as we may deem appropriate.

(v) Our obligations and your rights pursuant to this Agreement are expressly conditioned upon the truth of the warranties and representations set forth above at the time of execution of this Agreement, their continued truth throughout the initial term of this Agreement, and any renewals or extensions of this Agreement.

2. DEFINITIONS

Capitalized terms used in this Agreement are defined in the body of this Agreement.

3. GRANT OF FRANCHISE

We hereby grant you a franchise (your “Franchise”) for the right and license to develop, own and operate a Xtension Envy business to offer hair extension sales, installations and ongoing maintenance to include coloring, washing, blow outs, straightening and cuts at Xtension Envy Salon (an “Xtension Envy Business”). You will operate your Franchise from within the territory that we approve. We reserve all rights not expressly granted to you. It is understood and agreed that, except as expressly provided herein or in any other executed agreement, this agreement does not grant you any right to subfranchise.

4. TERRITORIAL RIGHTS AND LIMITATIONS

4.1. Territory. This Agreement grants you a protected territory (“Territory”), which means that during the term of the Franchise Agreement, we will not establish or franchise others to establish another Xtension Envy Business within your protected Territory. The boundaries of your Territory will be from a three mile to a five mile geographical radius, as listed in Attachment A, from the address listed in Attachment A.

4.2. Our rights in your Territory. We may use the Marks and the System to sell any products or services similar to those which you will sell through any alternate channels of distribution within your Territory. We reserve all rights not granted to you in this agreement regarding Territory, including, but not limited to:

- (i) To own, franchise or operate Xtension Envy Salons at any location outside of the Territory, regardless of the proximity to your Xtension Envy Salon;
- (ii) To purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Xtension Envy Salon, wherever located;
- (iii) To use the Marks and the System to sell any products or services similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;
- (iv) To acquire and convert to the System operated by us, any businesses offering products and services similar to those offered by Xtension Envy Salons, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately-owned and whether located inside or outside of the Territory, provided that in such situations the newly-acquired businesses may not operate under the Marks in the Territory;
- (v) To implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

4.3. Changes in Territory. A material breach of this Agreement may result in loss of Territory. We reserve the right to revoke, modify, or change your Territory if you breach this Agreement.

5. TERM AND RENEWAL

5.1. Generally. The term of this Agreement will begin on the Effective Date and expire ten (10) years thereafter (the “Term”). If this Agreement is the initial franchise agreement for your Business, you may enter into a maximum of two (2) successor franchise agreement (each, a “Successor Agreement”) as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting Xtension Envy franchises as of the expiration of the Term. If at the time of such expiration of the Term, we are not granting franchises, then the Successor Agreement will be in a form selected by us which previously shall have been delivered to and executed by a franchisee or licensee of us. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Agreement. A successor term will be ten (10) years (although the parties may mutually agree to renew the Franchise for an additional period of time beyond the 10-year contractual period). You will have no further right to operate your Business following the expiration of the final renewal term unless we grant you another franchise in our sole discretion. If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement as well as your remaining renewal rights, if any.

5.2. Renewal Requirements. In order to enter into a Successor Agreement, you and the Owners (defined herein as any individual who holds an ownership interest in Franchisee) (as applicable) must:

- (i) notify us in writing of your desire to enter into a Successor Agreement not less than 120 days nor more than 180 days before the expiration of the Term;

- (ii) pay us a renewal fee of \$4,500 or 10% of the current Franchise Fee;
- (iii) sign the Successor Agreement and all ancillary documents that we require franchisees to sign;
- (iv) sign a General Release in form and substance satisfactory to us;
- (v) complete any required refresher training program;
- (vi) if we require, remodel your Franchise and purchase new equipment to comply with our then current standards and specifications;
- (vii) have the right under your lease to maintain possession of your premises for the duration of the renewal term; and
- (viii) take any additional action that we reasonably require.

5.3. Interim Term. If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (the “Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

Except as otherwise permitted by this Section 5, you have no right to continue to operate your Franchise following the expiration of the Term.

6. TRAINING AND CONFERENCES

6.1. Initial Training Program. The Designated Manager and all of your employees that we specify must attend and successfully complete our initial training program within 90 days after the Effective Date. We will provide initial tuition-free training for a total of Three (3) individuals. We will train additional persons for free, so long as this person(s) attends training with you. You, if you are an individual (or at least one of your shareholders or members if you are a corporation or limited liability company), must attend and complete the initial training program to our satisfaction. For no additional fee, we will also provide you with access to our training team on an “as needed” basis via telephone and Internet. Our representative will be available during normal business hours by phone and e-mail.

6.2. On-Site Training. If you request that we provide on-site training at your Franchise and we agree to do so, you agree to reimburse us for all reasonable travel, meals, lodging and other expenses that we incur in providing the on-site training plus \$350 per day of training if training is at your location. These amounts are due 10 days after invoicing.

6.3. Technician Training at Corporate HQ. If we provide your technician a full training course, which typically lasts five days, you must pay us \$2,500.

6.4. Conferences. We may, in our sole discretion, hold a mandatory annual conference at our headquarters or at a location we determine, no more than once per year, which will last approximately one to three (1 to 3) days. We will determine the topics and agenda of the annual conference, which generally will include updating our franchisees on new developments affecting

them and exchanging information between our franchisees and our personnel concerning the operations and programs of the System. You will be charged up to \$500 per individual who attends each conference. You will be charged for at least one individual for each conference we mandate regardless of your attendance.

6.5. Expenses. You are responsible for all food, lodging and travel costs that your Owners and employees incur while attending any training program or conference.

7. OTHER FRANCHISOR ASSISTANCE

7.1. Training. We will provide the training described in Section 6 of this Agreement.

7.2. Manual. During the Term, we will grant you electronic access to our confidential and proprietary Xtension Envy Web-based Operations Manual (the “Manual”). The Manual will help you establish and operate your Franchise. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.

7.3. Additional Assistance Upon Request. Upon your written request, we may provide additional assistance or training to you at a mutually convenient time. You must pay us a fee of \$350 per day of training. If we agree to provide this additional assistance or training at your Franchise, you must reimburse us for all costs that we incur for food, lodging and travel. These Fees and expense reimbursements are due 10 days after invoicing.

7.4. General Guidance. Based upon our periodic inspections of your Franchise or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Franchise.

7.5. Xtension Envy Network Systems. We will provide you with access to our integrated web-based business management system that will assist you in operating your Franchise, including our corporate Intranet from which you can connect to all aspects of the Xtension Envy Network System. We reserve the right to modify, update, supplement, eliminate or replace the Xtension Envy Network System or any of its components and you agree to do the same upon notice from us. Currently, you must pay various licensors initial and ongoing license fees to use the various programs that comprise the Xtension Envy Network System other than the corporate Intranet system.

7.6. Website. We will maintain the Xtension Envy website to promote the services and products offered at Xtension Envy Businesses. We will include the information about your Franchise that we deem appropriate. We may modify the content of and/or discontinue the website at any time in our sole discretion. We will include a location search tool and provide a listing for you location on our site which may also be displayed on an interactive map. You may not establish or maintain any other Website or engage in any other electronic marketing of products or services without our prior written approval.

7.7. Purchase Agreements. We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and Xtension Envy franchisees. If we succeed in negotiating a purchase agreement, we will arrange for you to be able to purchase the goods directly from the supplier at the prices that we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost, plus shipping fees.

7.8. Private Label Goods. We have developed Xtension Envy branded products and merchandise for sale at your Franchise. You agree to maintain a reasonable inventory of these items at your Franchise at all times.

8. ESTABLISHING YOUR FRANCHISE

8.1. Site Selection. If you do not own a location for your Xtension Envy Salon, you must purchase or lease a commercial location. Locations for Xtension Envy businesses typically measure from 1,200 to 2,000 square feet. You must use our building specifications for your real property space and design plans for building out, remodeling, or retrofitting your Franchised Business Site. The Site must be approved by us. The location must meet certain basic requirements described in the Franchise Web-based Operations Manual.

8.2. Lease. If you will lease the premises for your Franchise, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to this Agreement as Attachment E. If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement, we have the right to disapprove of your lease in our commercially reasonable judgment, in which case you must find a new site for your Franchise. You must promptly send us a copy of your fully executed lease and Lease Addendum.

8.3. Operating Assets. You agree to use in your operations of Xtension Envy Franchise, and only those Operating Assets that we approve for Xtension Envy Franchises as meeting our specifications and standards for quality, design, appearance, function, and performance. You agree to place or display in the business or vehicles (interior and exterior) only the signs, emblems, lettering, logos, and display materials that we approve from time to time. You agree to purchase or lease approved brands, types, or models of Operating Assets only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

8.4. Telephone. You must obtain a new telephone number with "call-waiting service" and telephone listing at your expense, to be listed under the Xtension Envy name and not under your corporate, limited liability company, or individual name, to be used exclusively in connection with your operation of the business. Upon the expiration, transfer or termination of this Agreement for any reason, you will terminate your use of such telephone number and listing and assign the same to us or our designee. You must answer the telephone in the manner we specify in the Web-based Operations Manual.

8.5. Computer Software and Hardware. You will purchase and use any and all computer software programs ("Software") which we have developed or may develop and/or designate for use for the System and will purchase such computer hardware as we designate and as may be necessary for the efficient operation of the Software. We have the right to require you to update or upgrade computer hardware components and/or Software as we deem necessary from time to time but not more than once per calendar year. In addition, we have the right to require you to enter into a separate maintenance agreement for such computer hardware and/or Software.

8.6. Opening. You must open your Franchise to the public within 15 months after the Effective Date. To avoid a \$500 per month delay in opening fee, you must be open to the Public within 9 months after the Effective Date. You may not open your Franchise before: (i) successful completion of the initial training program by you and your Designated Manager; (ii) you purchase all required insurance and provide insurance certificates naming Xtension Envy Franchise Group, LLC as an additional insured; (iii) you obtain all required licenses, permits and other governmental approvals and a copy of all such license, permits and approvals are in your business files or are displayed when required; and (iv) you complete and return to us our then current form of the "Salon Readiness Checklist" provided to you via the Web-based portal. We may conduct a pre-opening inspection of your Franchise and you agree to make any changes we require before opening. BY VIRTUE OF OPENING YOUR FRANCHISE, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL

OF OUR PRE-OPENING OBLIGATIONS TO YOU.

8.7. Relocation. You may relocate your Franchise with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (i) locate your new Franchise within the Territory; (ii) comply with Sections 8.1 through Section 8.8 of this Agreement with respect to your new Franchise (excluding the 90-day opening period); (iii) open your new Franchise and resume operations within 30 days after closing your prior location; (iv) Pay us a relocation fee of \$500 plus our direct expenses relating to the relocation of your Franchise.

8.8. Initial Equipment & Supplies. You are required to purchase from us or our supplier(s) an initial inventory of required equipment, and supplies.

9. MANAGEMENT AND STAFFING

9.1. Operating Principal. You acknowledge that a major requirement for the success of your Business is the active, continuing, and substantial personal involvement and hands-on supervision by you. If you are not an individual, you must designate an “Operating Principal” acceptable to use who will be principally responsible for communicating with us about the Xtension Envy Salon. The Operating Principal must have the authority and responsibility for the day-to-day operations of your Xtension Envy Salon and must have at least ten (10%) equity. The Operating Principal must at all times be actively involved in the operation of the Business on a full-time basis unless we authorize you to delegate management functions to a Designated Salon Manager (defined below). Any new Operating Principal that we approve must successfully complete the initial training program pursuant to Section 6.1.

9.2. Designated Salon Managers. You may hire a manager to assume responsibility for the daily supervision and operation of your Business (a “Designated Salon Manager”), but only if: (i) we approve the Designated Salon Manager in our commercially reasonable discretion; (ii) the Designated Salon Manager meets our minimum qualifications and requirements for managers (including holding all licenses necessary to manage the Franchise); (iii) the Designated Salon Manager successfully completes the initial training program; (iv) the Designated Salon Manager signs a Brand Protection Agreement; and (v) the Designated Salon Manager agrees to assume responsibility for the supervision and operation of your Business if the Operating Principal is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement Principal and/or Manager. We may require that the Designated Salon Manager be the owner, member of the managing LLC, and/or officer of the managing corporation.

9.3. Employees. You must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of your Franchise. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. You must ensure that a sufficient number of trained employees are available to meet the operational standards and requirements of your Franchise at all times. You must ensure that your employees perform their duties in compliance with the terms of the Web-based Operations Manual and any other materials applicable to employees that we communicate to you. You may give your employees only the minimum amount of information and material from the Web-based Operations Manual that is necessary to enable them to perform their assigned tasks. You must ensure that your employees do not make or retain any copies of content from the Web-based Operations Manual or any portion of the Web-based Operations Manual content. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. We also do not control the

hiring or firing of your employees. You have sole responsibility and authority for all employment related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. You must require that your employees review and sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer.

9.4. Interim Manager. We have the right, but not the obligation, to designate an individual of our choosing (an “Interim Manager”) to manage your Franchise if either: (i) your Designated Manager ceases to perform the responsibilities of a Designated Manager (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Designated Manager within 30 days; or (ii) you are in material breach. The Interim Manager will cease to manage your Franchise at such time that you hire an adequate replacement Designated Salon Manager who has been approved by us and has completed training, or you cure the material breach, as applicable. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

10. FRANCHISEE AS ENTITY

If you are an Entity, you agree to provide us with a list of all of your Owners. All Owners of the Entity (whether direct or indirect) are jointly and severally responsible for the Entity’s performance of this Agreement and each Owner is bound by all of the terms of this Agreement. Upon our request, you must provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity’s organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation, and, if different, duly authorized as a foreign entity to conduct business in the state in which your Franchise is located. The Entity’s organizational documents must incorporate the transfer restrictions set forth in this Agreement as they pertain to a transfer of an interest in the Entity. Your Entity shall not use the name “Xtension Envy” in the name of any such Entity or as part of any domain name or as part of an e-mail address, as it is a protected name. You will not be allowed to open a franchise with us as a sole proprietor or partnership.

11. FRANCHISE OWNER AGREEMENT

If you are an Entity, all Owners (whether direct or indirect) and their spouses must sign a Franchise Owner Agreement.

12. ADVERTISING & MARKETING

12.1. Marketing Assistance from Us. We will assist you in formulating your grand opening marketing activities. We may create and make available to you advertising and other marketing materials for your purchase. We may use the National Advertising Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance, and support throughout the Term on an as needed basis.

12.2. Your Marketing Activities

- 12.2.1 Generally. We recommend, but do not require, that you spend 2% of Gross Sales each calendar month on local advertising to promote your Franchise after your grand opening period. We must approve all such advertising in accordance with Section 12.2.4. You agree to participate at your own expense in all advertising, promotional and marketing programs that we require. You also agree to comply with any gift card or customer loyalty program that we establish. For the purposes of this Agreement, Gross Sales is defined as the total selling price of all revenue and income from the sale of all Xtension Envy products and services and other related charges to your customers, whether or not sold or performed at or from your Xtension Envy Salon, and whether received in cash, check, credit card, coupon, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips, and allowances you give in good faith to your customers. All barter and/or exchange transactions in which you furnish products and/or services in exchange for products and/or services provided to you by a vendor, supplier, or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the products and/or services so provided to you.
- 12.2.2 Grand Opening. During the period beginning 30 days before opening and ending 60 days after opening, we recommend that you spend at least \$15,000 on advertising and other marketing activities to promote your Franchise. We must approve all such advertising in accordance with Section 12.2.4. We will provide you with our suggestions and recommendations for grand opening advertising.
- 12.2.3 Territorial Advertising Restriction. You are not permitted to solicit customers and/or advertise outside your Territory, except to the extent that you have received our prior written authorization, which we will not unreasonably withhold. We may condition our authorization upon your agreement to offer System franchisees who are operating Business in Territories encompassed by the circulation base of the proposed advertising the opportunity to participate in, and share the expense of, such solicitation and/or advertising. You may not advertise your Business, or any Merchandise or Service offered by your Business via the Internet without our prior written consent, which may be given or withheld in our sole discretion.
- 12.2.4 Standards for Advertising. All advertisements and promotions that you create, or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of others.
- 12.2.5 Approval of Advertising. Before you use them, we must approve all advertising and promotional materials that we did not prepare or previously approve (including materials that we prepared or approved, and you modify). We will be deemed to have disapproved the materials if we fail to issue our approval within 12 days after

receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove). You must pay a fee of \$500 for use of any unproved marketing materials.

12.2.6 Internet and Websites. At this time, we do not allow our franchisees to maintain their own websites or market their Xtension Envy businesses on the Internet or on any social media site that has not been approved or established by us. Accordingly, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network (including social network services and social media sites such as Facebook, Twitter and LinkedIn) or through any other digital or electronic method of communication in connection with your Business, except for the accounts we establish on your behalf, which you will be granted access to manage. You may utilize the online accounts that we have established on your behalf only in compliance with all of the guidelines that we specify. At any time, we may require that you sign an amendment to this Agreement that will govern your ability to maintain a website and/or market on the Internet. You agree to comply with any social media policy that we develop.

12.3. National Advertising Fund.

12.3.1 Permitted Uses. The National Advertising Fund may be used for any of the following purposes (“Permitted Activities”): (i) marketing, advertising and promotional materials (including social media); (ii) public and consumer relations and publicity; (iii) brand development; (iv) website development and search engine optimization; (v) research and development of new equipment, technology, products, services; (vi) research and monitoring of laws and regulations applicable to Xtension Envy Businesses; (vii) development and implementation of quality control programs; (viii); improvements to the System; (ix) and any other programs or activities that we deem necessary or appropriate to promote and improve the Xtension Envy brand and the System or to improve the overall quality and legal compliance associated with the System. We will not use any fees deposited into the National Advertising Fund to defray any of our general operating expenses, except for such reasonable salaries (allocated based on time spent on Permitted Activities), administrative costs and overhead as we may incur in activities reasonably related to the administration of the National Advertising Fund and the Permitted Activities (which may include, without limitation: conducting market research, preparing and conducting television, radio, magazine, billboard, newspaper and other media programs and activities and employing advertising agencies, collecting and accounting for contributions to the National Advertising Fund, and paying for the preparation and distribution of financial accountings and marketing materials). We will not spend more than 20 percent of the funds on administrative expenses.

12.3.2 Administration. We will administer the National Advertising Fund. We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any marketing or promotional activities paid for by the National Advertising Fund. We also have sole discretion in determining the other Permitted Activities paid for by the National Advertising Fund, provided that there is a reasonable relationship between these activities and overall efforts to improve or promote the System. Any surplus of funds

in the National Advertising Fund may be invested and we may lend money to the National Advertising Fund if there is a deficit. The National Advertising Fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the National Advertising Fund. We have no obligation to make expenditures in your market area that are proportionate or equivalent to your contributions to the National Advertising Fund. A financial accounting of the operations of the National Advertising Fund, including deposits into and disbursements from the National Advertising Fund, will be prepared annually and made available to you upon request.

- 12.3.3 Contributions. Every Monday, you must pay us two percent (2%) of your previous week's Gross Sales, which we will deposit into the National Advertising Fund. We will deposit into the National Advertising Fund all: (i) National Advertising Fund contributions paid by you and other franchisees; and (ii) rebates or other payments we receive from suppliers based on franchisee purchases. Any company-owned Xtension Envy will contribute to the National Advertising Fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the National Advertising Fund, any company-owned Xtension Envy that is established or acquired after the modification may contribute to the National Advertising Fund utilizing the modified amount or timing.

13. OPERATING STANDARDS

13.1. Generally. You agree to operate your Franchise: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms of this Agreement and the Web-based Operations Manual.

13.2. Web-based Operations Manual. You agree to establish and operate your Business in accordance with the Web-based Operations Manual. The Web-based Operations Manual may contain, among other things: (i) a description of the authorized goods and services that you may offer at your Franchise; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Xtension Envy franchisees; (iii) minimum staffing requirements as well as minimum standards and qualifications for your employees; (iv) mandatory reporting and insurance requirements; (v) mandatory and suggested specifications for your Franchise; and (vi) a written list of goods and services (or specifications for goods and services) you must purchase for the development and operation of your Franchise and a list of any designated or approved suppliers for these goods or services. We can modify the Web-based Operations Manual at any time. The modifications will become binding 30 days after we send you notice of the modification. All mandatory provisions contained in the Web-based Operations Manual (whether they are included now or in the future) are binding upon you.

13.3. Authorized Goods and Services. You agree to offer all goods and services that we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services at your Franchise without our prior written permission. You may not use your Franchise or permit your Franchise to be used for any purpose other than offering the goods and services that we authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of the Franchise or this Agreement. If you

request a new product or service and we agree to test it for use in our system, we may charge you up to \$1,000 to do so.

13.4. Suppliers and Purchasing. You agree to purchase or lease all products, supplies, equipment, services and other items specified in the Web-based Operations Manual from time to time. If required by the Web-based Operations Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliate). You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of Xtension Envy Businesses, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we are able to do so, and protect the reputation and goodwill associated with the System and the Marks. If you request a new supplier and we agree to evaluate them, we may charge you up to \$1,000 to do so.

13.5. Equipment Maintenance and Changes. You agree to maintain all of your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you replace, update or change your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period that we reasonably prescribe.

13.6. Software and Technology. We can change the software or technology you must use at any time. At any time, we may also develop proprietary software or technology that must be used by all of our franchisees. If this occurs, you agree to enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The terms of the license agreement will govern the terms pursuant to which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third-party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology.

13.7. Remodeling and Maintenance. You agree to remodel and make all improvements and alterations to your Franchise that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. We will not require that you spend more than \$25,000 to remodel your Franchise during the Term. You agree to maintain your Franchise in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (i) thorough cleaning, repainting, redecorating of the interior and exterior of the facility at the intervals we may prescribe (or at such earlier times that such actions are required or advisable); and (ii) interior and exterior repair of the facility as needed. You agree to comply with any maintenance, cleaning, or facility upkeep schedule that we prescribe from time to time. If we notify you to, and you do not undertake efforts to correct deficiencies in store appearance, you must reimburse us for any remodeling, improvements, or alterations at your Franchise that we pay for to reflect our then-current image, appearance, and facility specifications, up to \$25,000 during the term of your Franchise Agreement.

13.8. Hours of Operation. Your Franchise must be open during the minimum hours and days that we specify. You must establish specific hours of operation and submit those hours to us for approval.

13.9. Customer Complaints. If you receive a customer complaint, you must follow the complaint resolution process that we specify to protect the goodwill associated with the Marks. We reserve the right, in our sole discretion, to resolve customer complaints regarding your Franchise on your behalf. You must reimburse us for our costs associated with the required resolution.

14. FRANCHISE ADVISORY COUNCIL

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. The advisory council will be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council.

15. FEES

15.1. Initial Franchise Fee. You agree to pay us a \$49,500 initial franchise fee in one lump sum at the time you sign this Agreement. The Initial Franchise Fee will be reduced by \$5,000 for Retired Veterans who were honorably discharged from one of the armed services of the United States of America. The initial franchise fee is fully earned by us and non-refundable once this Agreement has been signed unless required to be deferred by any state administrator, in which case your Initial Fee will be due the first day your Xtension Envy business is operational and we have met our initial obligations.

15.2. Royalty Fee. You agree to pay us a royalty fee equal to 6% of your previous week's Gross Sales from the immediately preceding billing period. Our current billing period is weekly, with payments due every Monday for Gross Sales generated during the prior week. We may change the billing period from time to time and/or due date. Any change to the billing period will apply to your royalty fee as well as your contributions to the National Advertising Fund, all of which are due every Monday. You agree to provide us with your business bank account and routing information. You agree to allow us to use ACH to collect all fees and payment in this Agreement.

15.3. Regional Advertising Cooperative. Should a regional advertising cooperative established by us encompass your protected Territory, you agree to participate in the advertising cooperative. The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% of Gross Sales.

15.4. Technology Fee. You agree to pay us a fee of \$750 upon signing the Franchise Agreement to help offset the cost in the implementing the technology for your Franchise. This will include creation of an e-mail address, adding your location to our website, and setup of other technology required for your Salon. Thereafter, you will pay us \$125 per month from date of signing franchise agreement through the date of opening of the salon and \$250 per month thereafter for the use of integration software between our website, CRM platform, and email account management, as well as the cost of an intranet platform where training modules, marketing materials, and pertinent documents will be made accessible. These fees are subject to change once per calendar year.

15.5. Master Real Estate Broker Fee. You agree to pay to our required Master Real Estate Broker for each site that you execute a lease on for an Xtension Envy Salon. Currently, that fee is \$1,000 and is paid directly to the Master Real Estate Broker.

15.6. Other Fees and Payments. You agree to pay all other fees, expense reimbursements and

other amounts specified in this Agreement in a timely manner as if fully set forth in this Section 15. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon goods or services that you sell or based upon goods or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Agreement).

15.7. Late Fee. If any sums due under this Agreement have not been received by us when due (or there are insufficient funds in your Account to cover any sums owed to us when due) then, in addition to those sums, you must pay us interest on the amounts past due at the rate equal to the lesser of 1.2% per month (pro-rated on a daily basis) plus \$100 per occurrence, or the highest rate permitted by your State's law. If we do not specify a due date, then interest begins to run 10 days after we bill you. We will not impose a late fee for any amounts paid pursuant to Section 15.10 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payments at the time the payments became due and payable. However, we may impose a late fee for any amounts that we are unable to reasonably determine due to your failure to furnish us with a report required by Section 17.3 within the required period of time or record sales in a timely manner, in which case we may assess a late fee on the entire amount that was due and payable. We may also assess you a \$35 administrative handling fee for the first violation and a \$75 administrative handling fee for all subsequent violations if any payment is returned for insufficient funds or is dishonored by a financial institution. You acknowledge that this Section 15.6 shall not constitute our agreement to accept the late payments after same are due, or a commitment by us to extend credit to or otherwise finance the operation of your Business.

15.8. Relocation Fee. You agree to pay us a relocation fee of \$10,000 in one lump sum at any time during the Term if we permit you to relocate your Xtension Envy franchise location. Such payment is due when we approve the relocation of your Xtension Envy franchise.

15.9. Method of Payment. You must complete and send us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (your "Account") for: (i) all fees payable to us pursuant to this Agreement (other than the initial franchise fee); and (ii) any amounts that you owe to us or any of our affiliates for the purchase of goods or services. Your Account does not need to be your primary business checking account. We will debit your Account for these payments on or after the due date. Our current form of ACH Authorization Form is attached to the Franchise Disclosure Document. You must sign and deliver to us any other documents that we or your bank may require to authorize us to debit your Account for these amounts. You must ensure that your Account has sufficient funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your Account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with any late charge imposed pursuant to Section 15.10 below.

15.10. Application of Payments. We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

15.11. Salon Management and Point of Sale (POS) Platform. You must pay us \$132 per month for up to 10 users and \$249 per month for 11 to 25 users of the salon management/POS platform and member management system in your location. This fee is subject to change at our discretion.

15.12. Cost of Enforcement. You must pay any damages, expenses, collection costs, and/or reasonable attorneys' fees we may incur when you do not make the required payments. Cost of enforcing the Franchise Agreement fees will be levied against you if we prevail against you in any dispute arising from this Franchise Agreement.

15.13. Client Refunds. If we have to reimburse a client of yours for products or services we determined did not meet our standards, you must reimburse us the same amount we returned to your client on your behalf.

16. BRAND PROTECTION COVENANTS

16.1. Reason for Covenants. You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise System because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise System.

16.2. Our Know-how. You and the Owners agree: (i) neither you nor any Owner will use the Intellectual Property in any business or capacity other than the operation of your Franchise pursuant to this Agreement; (ii) you and the Owners will maintain the confidentiality of the System at all times; (iii) neither you nor any Owner will make unauthorized copies of documents containing any Intellectual Property; (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you and the Owners will stop using the Intellectual Property immediately upon the expiration, termination or Transfer of this Agreement, and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement will stop using the Intellectual Property immediately at the time he or she ceases to be an Owner.

16.3. Unfair Competition During Term. You and your Owners agree not to unfairly compete with us during the Term by engaging in any of the following activities (“Prohibited Activities”): (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours. “Competitive Business” shall mean any business, person or entity that is engaged, or planning or contemplating to engage within a period of twelve (12) months, in any business activity that is competitive with the business and business activities engaged in by us or our affiliates or franchisees.

16.4. Unfair Competition After Term. During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within the Territory and does not provide otherwise competitive goods or services from any site that is located within the Territory. If you or an Owner engage in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the

Prohibited Activity.

16.5. Immediate Family Members. The Owners acknowledge that they could circumvent the purpose of Section 16 by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). The Owners also acknowledge that it would be difficult for us to prove whether the Owners disclosed the Intellectual Property to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 16 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses the Intellectual Property. However, the Owner may rebut this presumption by furnishing evidence conclusively showing that the Owner did not disclose the Intellectual Property to the family member.

16.6. Employees and Others Associated with You. You must ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Business who may have access to our Intellectual Property, and who are not required to sign a Brand Protection Agreement, sign and send us a Confidentiality Agreement before having access to our Intellectual Property. You must use your best efforts to ensure that these individuals comply with the terms of the Brand Protection Agreements and Confidentiality Agreements, as applicable, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Brand Protection Agreement or Confidentiality Agreement, as applicable, including reasonable attorneys' fees and court costs.

16.7. Covenants Reasonable. You and the Owners acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other Xtension Envy franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Franchise; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 16 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

16.8. Breach of Covenants. You and the Owners agree that failure to comply with the terms of this Section 16 will cause substantial and irreparable damage to us and/or other Xtension Envy franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 16 will entitle us to injunctive relief. Notwithstanding the provisions of Section 25 of this Agreement, we may apply to a court of law in your jurisdiction for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$100. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, counterclaim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 16 and must be brought pursuant to Section 25. If an Owner's immediate family member engages in a Prohibited Activity during the Term or Post-Term Restricted Period or uses or discloses the Intellectual Property in breach of Section 16.5, you agree that, in addition to injunctive

relief, we are entitled to liquidated damages in an amount equal to the initial franchise fee if actual damages cannot be reasonably determined.

17. YOUR OTHER RESPONSIBILITIES

17.1. Insurance. For your protection and ours, you agree to maintain the insurance that we specify from time to time, including coverage insuring against all loss and liability arising out of or in connection with the operation of the Franchise, including, without limitation the following:

Policy Name	Minimum Limits	
Liability Insurance ₁	\$1,000,000	Per Occurrence
	\$2,000,000	In the Aggregate
Umbrella Policy ₂	\$2,000,000	Per Occurrence
Workers' Compensation ₃	\$1,000,000	Per Occurrence
Employee Related Practices Liability ₄	\$1,000,000	Per Occurrence
Commercial Automobile Insurance ₅	\$1,000,000	Combined Single Limit
Optional: Business Interruption Insurance Property Coverage ₆	\$50,000	Per Occurrence
Optional: Property Coverage ₇	\$50,000	Per Occurrence
Optional: Comprehensive Crime and Employee Dishonesty Insurance ₈	\$50,000	Per Occurrence General

You agree to provide us with proof of coverage on demand. You agree to obtain these insurance policies from **our required insurance vendor, currently Brown & Brown Insurance of Arizona**. All insurance policies must be endorsed to: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 30 days prior written notice of the termination, expiration, cancellation, or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all premiums that we incur **plus 20% of the insurance costs we pay on your behalf**.

17.2. Books and Records. You agree to prepare and maintain at your Franchise for at least three (3) years after their preparation, complete and accurate books, records, accounts, and tax returns pertaining to your Business. You must send us copies of your books and records within seven (7) days of our request. The person who provides you with bookkeeping and accounting services must: (i) successfully complete all training that we reasonably require to ensure the person is familiar with

our systems and procedures; and (ii) agree to utilize our accounting standards and chart of accounts to ensure consistency of information received from all of our franchisees.

17.3. Reports. You must prepare and provide us with periodic statements of your Gross Sales using a standard chart of accounts that we specify. You must allow access us your Gross Sales report for the preceding billing period. You must use QuickBooks Online as your accounting system and give us and our current required bookkeeping vendor access to your QuickBooks Online Account via our own unique log-in with a minimum access to view all reports. You must also use any 3rd party app we require to pull data from QuickBooks Online. On or before the fifth (5th) day of each month, you must also prepare and send us a statement of your expenditures on local advertising required by Section 12.2.1 that were incurred during the prior month (which shall be accompanied by copies of receipts for such expenditures if requested). You also agree to prepare all other reports that we require in the form and manner that we require. You agree to send us a copy of any report required by this Section upon request. If we require that you purchase a computer and/or automated cash management system that allows us to electronically retrieve information concerning your sales transactions, you agree that we will have the right to electronically poll your computer and/or automated cash management system to retrieve and compile information regarding the operation of your Franchise, subject to any restrictions imposed by applicable law. We reserve the right to require a specific bookkeeper who you must approve to share with us all data they receive in relation to your Franchise's books and records.

17.4. Financial Statements. Within 30 days after the end of each calendar quarter and within 120 days after the end of each calendar year, you or your mandated bookkeeper must prepare a balance sheet for your Business (as of the end of the calendar year or calendar quarter, as applicable) and a statement of profit and loss and source and application of funds (for the prior year or calendar quarter, as applicable). All financial statements must be: (i) verified and signed by you certifying to us that the information is true, complete, and accurate; and (ii) submitted in any format that we reasonably require. You agree to send us a copy of any financial statement required by this Section upon request. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

17.5. Legal Compliance. You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Franchise (including all required professional licenses) and operate and manage your Franchise in full compliance with all applicable laws, ordinances, rules, and regulations. You understand that federal and state laws may regulate you and your Franchise, and you agree to comply with all such laws. You are required to hire local counsel to review these laws to ensure the operation of your Franchise, and your performance of your obligations under this Agreement, comply with such laws. You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation of your Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate, or rating by any governmental agency that reflects your failure to fully comply with any applicable law, rule or regulation.

18. INSPECTION AND AUDIT

18.1. Inspections. To ensure compliance with this Agreement, we or our representatives will

have the right to enter your Franchise, evaluate your operations and inspect and examine your books, records, accounts and tax returns. Our evaluation may include monitoring your interactions with and provision of services to customers and contacting your landlord, customers and/or employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Franchise, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection, except as prohibited by law.

18.2. Audit. We have the right, at any time, to have an independent audit made of your books and financial records, subject to any restrictions imposed by applicable law. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your Gross Sales or any amount that you owe us, you agree to immediately pay to us any additional fees that you owe us together with any late fee payable pursuant to Section 15.7. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Agreement; or (ii) reveals an understatement of any amount due to us by at least two percent (2%), in which case you agree to reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due 10 days after invoicing. We shall not be deemed to have waived our right to terminate this Agreement by accepting reimbursements of our audit costs.

19. INTELLECTUAL PROPERTY

19.1. Ownership and Use of Intellectual Property. You acknowledge that: (i) we are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Agreement; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Franchise during the Term pursuant to, and only in compliance with, this Agreement, the Web-based Operations Manual, and all applicable standards, specifications, and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manual governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

19.2. Changes to Intellectual Property. We have the right to modify the Intellectual Property at any time in our sole discretion, including by changing the Marks, the System or the Web-based Operations Manual. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days. If we require you to change the Marks, we will have no obligation to reimburse you for your expenses of compliance, such as changing signage, brochures, stationary, etc. Moreover, we will not be liable to you for any expenses, losses, or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

19.3. Use of Marks. You agree to use the Marks as the sole identification of your Franchise; provided, however that you must identify yourself as the independent owner of your Franchise in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and

displays, receipts, stationery, and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

19.4. Use of Intellectual Property. We will disclose the Intellectual Property to you in the initial training program, the Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Intellectual Property other than the right to utilize it in strict accordance with the terms of this Agreement in the development and operation of your Franchise. You acknowledge that the Intellectual Property is proprietary and is disclosed to you solely for use in the development and operation of your Franchise during the Term.

19.5. Improvements. If you conceive of or develop any improvements or additions to the services or products offered by, or the method of operation of, a Xtension Envy Business, or any advertising or promotional ideas related to such business (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate an Xtension Envy franchise, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a Xtension Envy Business.

19.6. Notification of Infringements and Claims. You must immediately notify us of any: (i) apparent infringement of any of the Intellectual Property; (ii) challenge to your use of any of the Intellectual Property; or (iii) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim. If you are in compliance with this Agreement, we will defend you against any claim brought against you by a third party that your use of the Intellectual Property in accordance with this Agreement infringes upon that party’s intellectual property rights. We have no obligation to pursue any infringing users of our Intellectual Property. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringements, challenges, or claims. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

20. INDEMNITY

You and all guarantors of your obligations under this Agreement agree to at all times indemnify, defend (with counsel reasonably acceptable to us) and hold harmless (to the fullest extent permitted by law) us and our affiliates, and our and their respective successors, assigns, past and present equity holders, directors, officers, employees, agents, attorneys and representatives (collectively, “Indemnified Parties”) from and against all “losses and expenses” (as defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), judgment or appeal thereof by or against Indemnified Parties or any settlement thereof (whether or not a formal proceeding or action had been instituted) (collectively,

“Claims”, each, a “Claim”), which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to: (i) any Claim asserted against you and/or any of the Indemnified Parties arising from the marketing, use or operation of your Franchise or your performance and/or breach of any of your obligations under this Agreement; (ii) any other Claim arising from alleged violations of your relationship with and responsibility to us; or (iii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Agreement. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys’ fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses, and attorneys’ fees.

Specifically excluded from the indemnity you give hereby is any liability associated with our or the other Indemnified Parties' gross negligence, willful misconduct, or criminal acts (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you).

As used above, the phrase “losses and expenses” includes all Claims; causes of action; fines; penalties; liabilities; losses; compensatory, exemplary, statutory or punitive damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys’ and experts’ fees and disbursements; settlement amounts; judgments; compensation for damage to our reputation and goodwill; costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Indemnified Parties’ attorneys and/or experts); all expenses of recall, refunds, compensation and public notices; and, other such amounts incurred in connection with the matters described. All such losses and expenses incurred under this indemnification provision will be chargeable to and paid by you pursuant hereto, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of the actions, activity, or defense.

21. TRANSFERS

21.1. By Us. This Agreement and the Franchise are fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement (including delegation to one of our master developers).

21.2. By You. You understand that the rights and duties created by this Agreement are personal to you and the Owners and we have granted the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner shall cause or allow any direct or indirect sale, assignment, transfer, conveyance, gift, declaration of trust, pledge, mortgage or other encumbrance, voluntarily or involuntarily, by operation of law or otherwise of any interest in you, this Agreement, the license, the Xtension Envy Business or the premises for the Xtension Envy Business (collectively

“Transfer”) without (a) our prior written consent and (b) giving us an opportunity to exercise our right of first refusal as described in Section 21.5. Any attempt at such a Transfer without our approval and opportunity to exercise our right of first refusal shall be void, constitute a breach of this Agreement and shall convey no right or interest in this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

- (i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude, and financial resources to own and operate a Xtension Envy Business and otherwise meets all of our then applicable standards for franchisees;
- (ii) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate;
- (iii) all of the owners of the transferee have successfully completed, or made arrangements to attend, the initial training program;
- (iv) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Territory;
- (v) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Franchise;
- (vi) the transferee and its owners sign our then current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;
- (vii) you remodel your Franchise to comply with our then current standards and specifications or you obtain a commitment from the transferee to do so within the period of time that we specify;
- (viii) you or transferee must pay us a transfer fee of 50% of our then-current initial franchise fee if transferring to an existing Xtension Envy franchisee; 75% of our then-current initial franchise fee, if transferring to a new franchisee entering the system. at the time we approve the transfer;
- (ix) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer, in form and substance satisfactory to us;
- (x) you enter into an agreement with us to subordinate the transferee’s obligations to you to the transferee’s financial obligations owed to us pursuant to the franchise agreement;
- (xi) we decline to exercise our right of first refusal described in Section 21.5; and
- (xii) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the

terms or conditions of the Franchise by the transferee.

21.3. Definition of Transfer. As used in this Agreement the term “Transfer” shall also mean and include each of the following: (a) the Transfer by you or your Owner(s) of more than 20% in the aggregate, whether in one or more transactions, of the assets, capital stock, membership interests or voting power of you; (b) the issuance of any securities by you, which itself or in combination with any other transaction(s), results in the Owners existing as of the effective date, owning less than 80% of the outstanding shares, membership interests or voting power of you as constituted as of the effective date; or (c) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of you, however effected.

21.4. Death or Disability of an Owner. Within 60 days after the death or permanent disability of an Owner, the Owner’s ownership interest in you or the Franchise, as applicable, must be assigned to another Owner or to a third party approved by us. Any assignment to a third party will be subject to all of the terms and conditions of Section 21.2. For purposes of this Section, an Owner is deemed to have a “permanent disability” only if he or she has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement or otherwise operating the Franchise in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

21.5. Our Right of First Refusal. If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the interest in your Business or the ownership interest in you for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 21.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

22. TERMINATION

22.1. By You. You may terminate this Agreement if we materially breach this Agreement and fail to cure the breach within 90 days after you send us a written notice specifying the nature of the breach. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 23 and all other obligations that survive the expiration or termination of this Agreement.

22.2. Termination By Us Without Cure Period. We may, in our sole discretion, terminate this Agreement upon five (5) days’ written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:

- (i) if you or the Designated Salon Manager fail to satisfactorily complete the initial training program in the manner required by Section 6.1;

- (ii) if you fail to obtain our approval of your site within the time period required by Section 8.1;
- (iii) if you fail to open your Franchise within the time period required by Section 8.6;
- (iv) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
- (v) if your Franchise, or a substantial portion of the assets associated with your Franchise, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you of at least \$5,000 remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy;
- (vi) if you abandon or fail to operate your Franchise for five (5) consecutive business days, unless the failure is due to an event of *force majeure* or another reason that we approve;
- (vii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Franchise, even if you or the Owner still maintain appeal rights;
- (viii) if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime during the Term of the Franchise Agreement; (b) was previously convicted or pled no contest to a felony, a crime involving moral turpitude or any other material crime prior to execution of the Agreement and we discover this fact after the execution of this Agreement; (c) is subject to any material administrative disciplinary action; or (d) fails to comply with any material federal, state or local law or regulation applicable to your Franchise;
- (ix) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;
- (x) if you manage or operate your Franchise in a manner that presents a health or safety hazard to your customers, employees or the public;
- (xi) if you fail to pay any amount owed to us or an affiliate of ours within five (5) days after receipt of a demand for payment;
- (xii) if you or an Owner make any material misrepresentation to us, whether occurring

before or after being granted the Franchise, including any intentional underreporting Gross Sales;

- (xiii) if you inadvertently underreport any amount owed to us by at least two percent (2%), after having already committed a similar breach that had been cured in accordance with Section 22.3;
- (xiv) if you make an unauthorized Transfer;
- (xv) if you make an unauthorized use of the Intellectual Property;
- (xvi) if you breach any of the brand protection covenants described in Section 16;
- (xvii) if any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement;
- (xviii) if the lease for your premises is terminated due to your default;
- (xix) if you commit three (3) or more defaults during the Term, regardless of whether such defaults were cured; or
- (xx) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

22.3. Additional Conditions of Termination. In addition to our termination rights in Section 22.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 22.3, we may suspend performance of any of our obligations under this Agreement until you fully cure the breach. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings

22.4. Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

23. POST-TERM OBLIGATIONS.

23.1. Obligations of You and the Owners. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (i) immediately cease to use the Intellectual Property;
- (ii) pay us all amounts that you owe us;
- (iii) comply with all covenants described in Section 16 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner; return all copies of the Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to a Xtension Envy Business, unless we allow you to transfer such items to an approved transferee;

- (iv) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;
- (v) provide us with a list of all of your current, former, and prospective customers, unless prohibited by applicable law;
- (vi) upon our request, assign all customer contracts and related information to us (unless we allow you to transfer these items to an approved transferee) except to the extent prohibited by applicable law;
- (vii) make such modifications and alterations to the premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises; provided, however, that this subsection shall not apply if your Franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Business;
- (viii) notify all telephone companies, listing agencies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Franchise; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (ix) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

24. RIGHT TO PURCHASE FACILITY AND ASSETS

24.1. Generally. Within 60 days after the termination or expiration of this Agreement, we shall have the right, but not the obligation, to notify you of our intent to purchase your Franchise and/or its assets at fair market value as determined by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the day immediately after the effective date of the termination or expiration (the “Appraisal Date”). We will notify you of the specific items that we wish to purchase (the “Acquired Assets”). We may also require that you assign your lease to us at no additional charge.

24.2. Selecting Qualified Appraisers. You and we each shall appoint an appraiser with experience appraising businesses comparable to your Franchise (a “Qualified Appraiser”). This appointment of the appraisers shall be made within 30 days after the Appraisal Date by giving written notice to the other party of the name and address of the Qualified Appraiser. If either of us fails to appoint a Qualified Appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If each of us shall have appointed a Qualified Appraiser within the 30-day period, then within 30 days after that the two (2) Qualified Appraisers shall appoint a third (3rd) Qualified Appraiser. If the two (2) Qualified Appraisers fail to agree on the appointment of a third (3rd) Qualified Appraiser within the 30-day period, then a third (3rd) Qualified Appraiser shall be appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application by either us or you. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so.

24.3. Information for Appraisal. You must furnish to the Qualified Appraisers a copy of your

current financial statements, as well as your financial statements for the prior three (3) years (or the period of time that you have operated your Franchise, if less than three (3) years), together with the work papers and other financial information or other documents or information that the Qualified Appraisers may request. The Qualified Appraisers shall take into account the other information and factors that they deem relevant, but the Qualified Appraisers shall be instructed that there shall be no consideration of goodwill in the determination of fair market value.

24.4. Appraisal Process. Within 60 days after the appointment of the third Qualified Appraiser, the three (3) Qualified Appraisers shall appraise the Appraised Assets at fair market value without taking into account any value for goodwill (the “Appraised Value”). If the three (3) Qualified Appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined by the agreement of the three (3) Qualified Appraisers. If two (2) of the three (3) Qualified Appraisers agree on a single value, these two (2) Qualified Appraisers shall issue a joint report, and the dissenting Qualified Appraiser may (but need not) issue a separate report, and the value determined by agreement of the two (2) Qualified Appraisers who agree shall be the Appraised Value. If none of the Qualified Appraisers are able to agree on a single value, each Qualified Appraiser shall issue a report setting forth the value determined by him or her, and the average of the two values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any Qualified Appraiser, each Qualified Appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any Qualified Appraiser is made with knowledge of the values determined by the other Qualified Appraisers. If there shall be only a single Qualified Appraiser (because you or we failed to appoint a Qualified Appraiser within the time provided), then the Appraised Value will be the value determined by the single Qualified Appraiser.

24.5. Cost of Appraisal. You and we shall equally bear the cost of the appraisal.

24.6. Closing. Once the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us. We will pay one-half of the purchase price at closing and the remaining balance in three (3) equal quarterly installments of principal plus interest at a rate per annum equal to the prime lending rate charged by our bank as of the closing date.

25. DISPUTE RESOLUTION

The parties agree to submit any claim, dispute, or disagreement, including any matter pertaining to the interpretation of this Agreement or issues relating to the offer and sale of the Franchise or the relationship between the parties (a “Dispute”) to mediation prior to instituting any action. If the parties cannot agree on a mediator, mediation shall be administered by the American Arbitration Association in Phoenix, Arizona (“AAA”). If the Dispute is not resolved by mediation within 90 days after either party makes a demand for mediation, the parties will submit the dispute to mandatory and binding arbitration with AAA (or its successor). Notwithstanding the foregoing, any Dispute that involves an alleged breach of Section 16 or Section 19 will not be subject to mediation or arbitration unless otherwise agreed to by both parties, and either party may immediately file a lawsuit in accordance with this Section with respect to any alleged breach of Section 16 or Section 19. All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently,

Maricopa County, Arizona) and the parties irrevocably waive any objection to such venue. If the Dispute proceeds to arbitration or a court of law, the prevailing party shall be entitled to reimbursement of its costs and expenses, including reasonable legal fees as determined by an arbitrator or judge. **UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 16 OR SECTION 19) MUST BE BROUGHT BY FILING A WRITTEN NOTICE FOR MEDIATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.**

26. YOUR REPRESENTATIONS

YOU HEREBY REPRESENT THAT: (i) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (iii) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY; (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; AND (v) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY.

27. GENERAL PROVISIONS

27.1. Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of Arizona (without reference to its principles of conflicts of law), but any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

27.2. Relationship of the Parties. You understand and agree that nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of

operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Franchise. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty, or representation, or incur any debt, in the name of or on behalf of the other or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.

27.3. Severability and Substitution. Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

27.4. Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the Franchise before the expiration of its term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) 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 under this Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Xtension Envy franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Agreement.

27.5. Approvals. Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

27.6. Force Majeure. As used in this Agreement, the term “*Force Majeure*” shall mean any act of God, strike, lock-out or other industrial disturbance, war, riot, epidemic, fire or other catastrophe, act of any government and any other similar cause not within the control of the party affected thereby. If the performance of any obligation by any party under this Agreement is prevented or delayed by reason of *Force Majeure*, which cannot be overcome by use of normal commercial measures, the parties shall be relieved of their respective obligations to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such *Force Majeure*. The party whose performance is affected by an event of *Force Majeure* shall give prompt written notice of such *Force Majeure* event to the other party pursuant to Section 27.15, setting forth

the nature thereof and an estimate as to its duration, and shall be liable for failure to give such timely notice only to the extent of damage actually caused. Any delay resulting from an event of *Force Majeure* will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

27.7. Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section **Error! Reference source not found.** and the Indemnified Parties are intended third party beneficiaries under this Agreement with respect to Section **Error! Reference source not found.** and Section 20, respectively.

27.8. Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 13.2 AND SECTION 27.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any e-mail correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

27.9. Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

27.10. Rights of Parties are Cumulative. The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

27.11. Survival. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the Franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section 15, Section 16, Section 18, Section 20, Section 23, Section 24 and Section 26.

27.12. Construction. The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

27.13. Time of Essence. Time is of the essence in this Agreement and every term thereof.

27.14. Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

27.15. Notice. All notices given under this Agreement must be in writing, delivered by hand, delivered by private courier (i.e., FedEx, UPS, etc.), or certified mail, return receipt requested, to the following addresses (which may be changed upon 10 business days’ prior written notice):

YOU: As set forth below your signature on this Agreement

US: Xtension Envy Franchise Group,
LLC 14850 N. 87th St., Suite 130
Scottsdale, AZ 852560

Notice shall be considered given at the time of delivery.

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

Xtension Envy Franchise Group, LLC, an Arizona Limited Liability Company

By: _____ Name: _____

Its: _____

FRANCHISEE:

_____.

a(n) _____

By: _____

Name: _____

Its: _____

Principal Business Address:

ATTACHMENT A

TO FRANCHISE AGREEMENT FRANCHISE DATA SHEET

1. **Effective Date.** The Effective Date set forth in the introductory paragraph of the Franchise Agreement is: _____, 20__.
2. **Territory.**
Territory geographical radius in miles:
Address of Franchised Location:
3. **Franchise Fee.** The Initial Franchise Fee is: _____.
4. **Identification of Managing Owner.** Your Managing Owner as of the Effective Date is _____
_____. You may not change the
Managing Owner without prior written approval.
5. **Identification of Designated Manager.** Your Designated Manager, if applicable, as of the
Effective Date is _____
_____. You may not
change the Designated Manager without prior written approval.

(Signatures on following page)

FRANCHISOR:

Xtension Envy Franchise Group,
LLC, an Arizona Limited Liability
Company

By: _____ Title: _____

FRANCHISEE:

(Entity Name)

By: _____ Title: _____

ATTACHMENT B TO FRANCHISE AGREEMENT

Form of Ownership (Check One)

Limited Liability Company

Corporation

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

Date and State of incorporation: _____

Management (managers, officers, board of directors, etc.):

NAME	TITLE

Members, Stockholders, Partners:

NAME	ADDRESS	% OWNED

(Signatures on following page)

FRANCHISOR:

Xtension Envy Franchise Group,
LLC, an Arizona Limited Liability
Company

Dated:

By:

Title:

FRANCHISEE:

(Entity Name)

Dated:

By: _____

Title: _____

ATTACHMENT C

TO FRANCHISE

AGREEMENT OWNERS

AGREEMENT

As a condition to the granting by Xtension Envy Franchise Group, LLC (“we” or “us”) of a franchise agreement with _____ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

1. **Acknowledgments.**

1.1. **Franchise Agreement.** Franchisee entered into a franchise agreement with us effective as of ____, 20__ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2. **Owners’ Role.** Owners are the beneficial owners of all of the equity interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives, and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

2. **Non-Disclosure and Protection of Confidential Information.**

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data which we designate as confidential will also be deemed Confidential Information for purposes of this Owners Agreement.

3. Covenant Not To Compete.

3.1. Non-Competition During and After the Term of the Franchise Agreement.

Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2. Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3. Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

4. Guaranty.

4.1. Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2. Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3. Indemnification. Owners will indemnify, defend, and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4. No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue

or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5. Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6. Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death, and the obligations of any other Owners will continue in full force and effect.

5. **Transfers.** Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources, and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Owners Agreement and the Franchise Agreement.

1. **Notices.**

1.1. Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

1.2. Notice Addresses. Our current address for all communications under this Owners Agreement is:

Xtension Envy Franchise Group, LLC
14850 N. 87th St., Suite 130, Scottsdale, AZ 85260

The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

2. **Enforcement of This Owners Agreement.**

2.1. Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise

Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

2.2. Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

2.3. Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

3. Miscellaneous.

3.1. No Other Agreements. This Owners Agreement constitutes the entire, full, and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings, or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions, or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change, or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

3.2. Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property, or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

3.3. No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors, and assigns) any rights or remedies under or by reason of this Owners Agreement.

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

3.5. Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors, and (permitted) assigns.

3.6. Successors. References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns, or transferees.

3.7. Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

3.8. No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

3.9. Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

OWNERS:

[Insert Name and Address of Owner]

[Insert Name of Spouse]

[Insert Name and Address of Owner]

[Insert Name of Spouse]

[Insert Name and Address of Owner]

[Insert Name of Spouse]

[Insert Name and Address of Owner]

[Insert Name of Spouse]

Xtension Envy Franchise Group, LLC hereby accepts the Owner(s)' agreements:

By: _____

Title: _____

ATTACHMENT D

ADDENDUM TO LEASE

THIS ADDENDUM made and entered into by and between _____
("Landlord") and _____("Tenant").

WITNESSETH

WHEREAS, Landlord and Tenant entered into a Lease Agreement dated _____, ____ (the "Lease") pertaining to the real property located at _____ as is more particularly described on Exhibit A, attached hereto (the "Demised Premises") allowing for operation of a Xtension Envy business; and

WHEREAS, Landlord and Tenant desire to incorporate the following terms into the body of the Lease;

NOW, THEREFORE, in consideration of the covenants herein and therein, the parties hereto agree as follows:

1. Notwithstanding anything contained elsewhere in the Lease to the contrary, Tenant may use the Demised Premises for the purpose of conducting thereon the business of a Xtension Envy business and for incidental purposes related thereto.
2. In the event the Franchise Agreement between Xtension Envy Franchise Group, LLC, as franchisor and Tenant, as franchisee, is terminated or expires prior to expiration of the Lease, Xtension Envy Franchise Group, LLC shall have the right, but not the obligation, to assume those rights and obligations of the Tenant under the Lease coming due on or after the date Tenant vacates the Demised Premises, including taking possession of the Demised Premises, all fixtures, and leasehold improvements. Landlord shall give Xtension Envy Franchise Group, LLC written notice of Tenant's vacation of the Demised Premises and thereafter Xtension Envy Franchise Group, LLC shall exercise such right to assume the Tenant's rights and obligations by written notice to Landlord mailed or delivered not later than fifteen (15) days after Xtension Envy Franchise Group, LLC's receipt of written notice from Landlord of Tenant's vacation of the Demised Premises.
3. Landlord hereby grants Tenant the unrestricted right during the initial term and any renewal term of the Lease to assign or sublet the Lease to Xtension Envy Franchise Group, LLC.
4. Landlord shall give Xtension Envy Franchise Group, LLC a copy of any and all notices of default given to Tenant, as required to be given by Landlord to Tenant under the terms of the Lease, at the same time such notice is given to Tenant. Within seven (7) days after Tenant's right to cure expires, Xtension Envy Franchise Group, LLC shall have the right, but not the obligations, to cure any such default.
5. Upon the expiration or earlier termination of the Lease for any reason, Tenant, shall, at its own expense, remove all Xtension Envy Trademarked and Trade Dress items from all buildings, including, but not limited to signs, fixtures and furnishings, and alter and paint all buildings and other improvements maintained pursuant to the Lease a design and color which is basically different from

Xtension Envys' authorized building design and painting schedule. If Tenant shall fail to make or cause to be made any such removal, alteration or repainting within ten (10) days after the expiration or earlier termination of the Lease, the Landlord shall give Xtension Envy Franchise Group, LLC written notice of such failure and Xtension Envy Franchise Group, LLC shall have the right to enter upon the Demised Premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such removal, alterations and repainting at the reasonable expense of Tenant, which expense Tenant shall pay Xtension Envy Franchise Group, LLC on demand.

6. Notwithstanding anything to the contrary elsewhere in the Lease or any addendum or amendment thereto, Landlord and Tenant agree that the terms and provisions set forth in this Addendum shall control and shall not be superseded, terminated or modified without the prior written consent of Xtension Envy Franchise Group, LLC, a third party beneficiary to the Lease, and this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum this __ day of _____,

LANDLORD:

By: _____
Name: _____
Title: _____
Date: _____

TENANT:

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT B

FINANCIAL STATEMENTS



**XTENSION ENVY FRANCHISE GROUP,
LLC**

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AS OF DECEMBER 31, 2023



XTENSION ENVY FRANCHISE GROUP, LLC

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Independent Auditor's Report

To the Members
Xtension Envy Franchise Group, LLC
Phoenix, AZ

Opinion

We have audited the accompanying financial statements of Xtension Envy Franchise Group, LLC, which comprise the balance sheet as of December 31, 2023, and the related statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xtension Envy Franchise Group, LLC as of December 31, 2023, 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 Company 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 Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Kezas $\frac{1}{3}$ Dunlay

St. George, Utah

June 26, 2024

XTENSION ENVY FRANCHISE GROUP, LLC

BALANCE SHEET

As of December 31, 2023

Assets	2023
Current assets	
Cash and cash equivalents	\$ 1,545
Total current assets	<u>1,545</u>
 Total assets	 <u><u>\$ 1,545</u></u>
 Liabilities and Member's equity	
Current liabilities	
Related party payable	\$ 178
Total current liabilities	<u>178</u>
 Total liabilities	 <u><u>178</u></u>
 Member's equity	 <u>1,367</u>
Total liabilities and member's equity	<u><u>\$ 1,545</u></u>

The accompanying notes are an integral part of these financial statements.

XTENSION ENVY FRANCHISE GROUP, LLC
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY
For the year ended December 31, 2023

	2023
Operating revenue	\$ -
Operating expenses	
Selling, general and administrative	1,927
Advertising and marketing	3,006
Professional fees	3,853
Total operating expense	8,786
Net loss	\$ (8,786)
Beginning member's equity	\$ 13,172
Effect of prior period adjustment	(3,019)
Net loss	(8,786)
Ending member's equity	\$ 1,367

The accompanying notes are an integral part of these financial statements.

XTENSION ENVY FRANCHISE GROUP, LLC

STATEMENT OF CASH FLOWS For the year ended December 31, 2023

	<u>2023</u>
Cash flow from operating activities:	
Net loss	\$ (8,786)
Changes in operating assets and liabilities:	
Increase in related party payable	<u>2,177</u>
Net cash used by operating activities	<u>(6,609)</u>
Net change in cash and cash equivalents	(6,609)
Cash and cash equivalents at beginning of period	<u>8,154</u>
Cash and cash equivalents at end of period	<u>\$ 1,545</u>
Supplemental disclosures of cash flow:	
Cash paid for interest and taxes	\$ -

The accompanying notes are an integral part of these financial statements.

XTENSION ENVY FRANCHISE GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Xtension Envy Franchise Group, LLC was formed in April 2022, in the State of Arizona, as a limited liability company for the purpose of conducting franchise sales. The Company will grant franchisees the right to own and operate a Xtension Envy Salon which will perform hair extension sales, installations, and ongoing maintenance.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force, and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2023, the Company had cash and cash equivalents of \$1,545.

(e) Revenue Recognition

The Company’s primary revenues consist of initial franchise fees and royalty and marketing fees (which are based on a percentage of franchisee gross revenues) from franchisees.

Upon commencement of operations, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, marketing fees and ongoing royalties based on a percentage of gross revenues, and the Company’s performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties and marketing fees and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606,

XTENSION ENVY FRANCHISE GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Franchisors—Revenue from Contracts with Customers. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in identifying 3rd party support regarding obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee’s personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Assistance with resourcing/identifying 3rd party bookkeeping, information technology, and advisory services, including support setting up the franchisee’s records and advising the franchisee about income, real estate, and other taxes and local regulations affecting the franchisee’s business
- Inspection, testing, and other quality control programs, including verifying franchisees are in compliance with franchise obligations

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, pursuant to the adoption of ASC 952-606, the entire initial fees are allocated to the pre-opening services, which are recognized as revenue when the pre-opening services have been satisfied (generally upon commencement of operations).

(f) Income Taxes

The entity is organized as a limited liability company (LLC) under the laws of the State of Arizona. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal or state income taxes.

The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If the taxing authorities were to disallow any tax positions taken by the Company, additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company’s financial statements.

The company’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2023, year 2022 was subject to examination.

(g) Financial Instruments

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

XTENSION ENVY FRANCHISE GROUP, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

(h) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Related Party transactions

The Company is owned by Xtension Envy Holdings, LLC (the “Parent”). In 2023, the Parent paid expenses on behalf of the Company with an amount of \$2,178. As of December 31, 2023, balance due to the Parent was \$178.

(3) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

(4) Subsequent Events

Management has reviewed and evaluated subsequent events through June 26, 2024, the date on which the financial statements were issued.

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

Xtension Envy – Balance Sheet as of March 7, 2025

	<u>xtension envy Franchise LLC</u>
ASSETS	
Current Assets	
Bank Accounts	
Checking (0501)	
Checking (1540) Franchise	1,166.24
Checking (3257) Holding Co	
Total Bank Accounts	\$ 1,166.24
Other Current Assets	
Inventory Asset	
Total Other Current Assets	\$ 0.00
Total Current Assets	\$ 1,166.24
Fixed Assets	
Accum Depr Furniture & Equipment	
Auto	
Equipment & Furniture	0.00
Leasehold Improvements	
Total Fixed Assets	\$ 0.00
Other Assets	
Business Escrow Account	
Investment in XTN Franchise	
Security Deposit	
Startup Expenses	60,029.58
Trademark	3,182.34
Total Other Assets	\$ 63,211.92
TOTAL ASSETS	\$ 64,378.16
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
CC Amex	
CC Capital One	
CC Chase SW 9670	
Total Credit Cards	\$ 0.00
Other Current Liabilities	
Interco to XTN Envy	18,807.06
Interco XTN Franchise	
Interco XTN Holding	4,000.00

N/P Fay Zeboony	
Payroll Clearing	
Total Other Current Liabilities	<u>\$ 22,807.06</u>
Total Current Liabilities	\$ 22,807.06
Long-Term Liabilities	
Tesla Loan	
Total Long-Term Liabilities	<u>\$ 0.00</u>
Total Liabilities	\$ 22,807.06
Equity	
Chris and Gina Hall	
Dividend Pd to XTN Holding	
Equity Ricardo Trust	
Equity SNPN	180,098.82
Equity XTN Holding	101,000.00
Member Draw	
Member Equity	
Opening Balance Equity	
Owner Medical Expense	
PPP Loan - Equity	
Retained Earnings	-216,519.58
Subsidiary Dividend Rec'd	
Net Income	<u>-23,008.14</u>
Total Equity	<u>\$ 41,571.10</u>
TOTAL LIABILITIES AND EQUITY	\$ 64,378.16

Xtension Envy – Profit & Loss as of March 7, 2025

	<u>Franchise LLC</u>
Income	
Sales of Product Income	
Total Income	\$ 0.00
Cost of Goods Sold	
Inventory Purchases	
Merchant Fees	
Sales Tax	
Salon Supplies	
Technician 401K ER Expense	
Technician Employer Tax	
Technician Salary	
Total Cost of Goods Sold	\$ 0.00
Gross Profit	\$ 0.00
Expenses	
Accounting	2,175.00
Admin 401K Employer Expense	
Admin Employer Tax	
Admin Office Salary	
Auto Gas	
Auto Insurance	
Auto Payments	
Bank Charges	
Business Consulting	
Computer and Software	
Corporate Fees and License	
Dues & Subscription	
Entertainment	
Insurance Expense	
Legal	20,129.00
Marketing and Advertising	452.98
Meals	
Office Supplies	
Payroll Processing	251.16
Postage and Shipping	
Recruiting	
Rent	
Store Maintenance	



Independent Auditors' Report

To the Board of Directors

XTENSION ENVY FRANCHISE GROUP, LLC

Opinion

We have audited the financial statements of XTENSION ENVY FRANCHISE GROUP, LLC (a Limited Liability Company established in the State of Arizona, United States of America), which comprise the statements of financial position as of December 31, 2022, as well as notes that include a summary of the relevant accounting policies and other explanatory information. The financial statements have been prepared under Generally Accepted Accounting Principles in the United States (US GAAP).

In our opinion, these financial statements reasonably reflect, in all material respects, the financial position of XTENSION ENVY FRANCHISE GROUP, LLC (a Limited Liability Company established in the State of Nevada, United States of America) as of December 31, 2021, and its financial performance, as well as its cash flows for the year ending on that date, in conformity with the Generally Accepted Accounting Principles of the United States (US GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XTENSION ENVY FRANCHISE GROUP, LLC as of December 31, 2022, ended in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Accepted Accounting Principles in the United States (US GAAP) as described in Note 1 of the financial statements and through the internal control determined by management, relevant to the preparation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management intends to liquidate the company or cease operations, or have no realistic alternative but to do so.

Those in charge of the company's Governance are responsible for overseeing the reporting process of the company.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 a guarantee that an audit conducted in accordance with the International Audit Standards, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit conducted in accordance with the United States Generally Accepted Accounting Principles (US GAAP), we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Company's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with Company's governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with Company's governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The image shows a handwritten signature in black ink that reads "Juan A. Pizarro Llanos". The signature is written over a stylized logo that says "JPizars" in a cursive, handwritten font.

April 21, 2023

JPizars – CPA & Business Consultants LLC

Hollywood, Florida | O: 1722 Sheridan St. #365 Hollywood, FL 33020

Juan A. Pizarro Llanos, MAcc, CPA, CFE, CRMA | CEO T: 954-997-2545 | E: jpizars@cpa.com

ACCRUAL BASIS**Xtension Envy Franchise Group, LLC**

Balance Sheet

As of December 31, 2022

Xtension Envy Franchise Group**Balance Sheet**

As of December 31, 2022

	TOTAL
▼ ASSETS	
▼ Current Assets	
▶ Bank Accounts	\$13,167.26
▼ Accounts Receivable	
Accounts Receivable (A/R)	5.00
Total Accounts Receivable	\$5.00
Total Current Assets	\$13,172.26
TOTAL ASSETS	\$13,172.26
▼ LIABILITIES AND EQUITY	
Liabilities	
Total Liabilities	
▼ Equity	
▶ Partner investments	251,000.00
Retained Earnings	-120,277.35
Net Income	-117,550.39
Total Equity	\$13,172.26
TOTAL LIABILITIES AND EQUITY	\$13,172.26

Xtension Envy Franchise Group

Profit and Loss

January - December 2022

	TOTAL
Income	
Total Income	
GROSS PROFIT	\$0.00
▼ Expenses	
▶ Advertising & marketing	41,569.81
▶ Contract labor	69,000.00
▶ General business expenses	2,226.64
▶ Legal & accounting services	1,926.50
▶ Meals	213.79
▶ Office expenses	753.75
Payroll expenses	322.04
Travel	2,037.86
Uncategorized Expense	-500.00
Total Expenses	\$117,550.39
NET OPERATING INCOME	\$ -117,550.39
NET INCOME	\$ -117,550.39

Xtension Envy Franchise Group, LLC
Notes to the Financial Statements December 31, 2022

NOTE 1 – NATURE OF OPERATIONS

The Company was founded in April 2021. The Company is registered in Arizona as a Franchisor in the salon industry.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

No estimates and assumptions have been made for the period of these financial statements. If estimates and assumptions are used, they will be in conformity with U.S. GAAP that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Balance Sheet Classification

The Company includes in current assets and liabilities retainage amounts receivable and payable under client contracts, which may extend beyond one year. A one-year time period is used as the basis for classifying all other current assets and liabilities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory is valued at Lower of cost or market.

Property and Equipment

Property and equipment will be stated at cost. Depreciation will be computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

See accompanying Independent Accountants' Audit Report

Xtension Envy Franchise Group, LLC
Notes to the Financial Statements December 31, 2022 (Continued)

Impairment of Long-Lived Assets

The Company will review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2022, there were no impairment losses recognized for long lived assets.

Revenue and Cost Recognition

Revenue is recognized as earned (Accrual Basis Accounting).

Xtension Envy Franchise Group LLC follows the 5 step guidelines in the revenue recognition process as outlined in ASC 606. These steps are the following:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

See accompanying Independent Accountants' Audit Report

Xtension Envy Franchise Group, LLC
Notes to the Financial Statements December 31, 2022 (Continued)

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities will be included in the financial statements at enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rate are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. As of December 31, 2022, the Company had no uncertain tax positions or interest and penalties, that qualify for either recognition or disclosure in the financial or interest and penalties, that qualify for either recognition or disclosure in the financial statements.

NOTE 3 – MANAGEMENT’S PLANS (GOING CONCERN)

Management assesses, considering both quantitative and qualitative factors, whether there are conditions and events that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued. Based on management’s assessment, the Company did not identify any conditions that raise substantial doubt about the Company’s ability to continue as a going concern. Xtension Envy Franchise has a strong pipeline of candidates for 2023 and expects to generate revenue to offset expenses. Overhead has also been reduced, however marketing efforts to generate new franchisees continue and the Company believes 2023 will be a much stronger year.

NOTE 4 – EVALUATION OF SUBSEQUENT EVENTS

As of report release date, no subsequent events came to our attention.

See accompanying Independent Accountants’ Audit Report



Independent Auditors' Report

To the Board of Directors

XTENSION ENVY FRANCHISE GROUP, LLC

Opinion

We have audited the financial statements of XTENSION ENVY FRANCHISE GROUP, LLC (a Limited Liability Company established in the State of Arizona, United States of America), which comprise the statements of financial position as of December 31, 2021, as well as notes that include a summary of the relevant accounting policies and other explanatory information. The financial statements have been prepared under Generally Accepted Accounting Principles in the United States (US GAAP).

In our opinion, these financial statements reasonably reflect, in all material respects, the financial position of XTENSION ENVY FRANCHISE GROUP, LLC (a Limited Liability Company established in the State of Nevada, United States of America) as of December 31, 2021, and its financial performance, as well as its cash flows for the year ending on that date, in conformity with the Generally Accepted Accounting Principles of the United States (US GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XTENSION ENVY FRANCHISE GROUP, LLC as of December 31, 2021, ended in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Accepted Accounting Principles in the United States (US GAAP) as described in Note 1 of the financial statements and through the internal control determined by management, relevant to the preparation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management intends to liquidate the company or cease operations, or have no realistic alternative but to do so.

Those in charge of the company's Governance are responsible for overseeing the reporting process of the company.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 a guarantee that an audit conducted in accordance with the International Audit Standards, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit conducted in accordance with the United States Generally Accepted Accounting Principles (US GAAP), we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Company's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with Company's governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with Company's governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

JPizarr 

March 16, 2022

JPizars – CPA & Business Consultants LLC

Hollywood, Florida | O: 1722 Sheridan St. #365 Hollywood, FL 33020

Juan A. Pizarro Llanos, MAcc, CPA, CFE, CRMA | CEO T: 954-997-2545 | E: jpizars@cpa.com

**ACCRUAL
BASIS**

Xtension Envy Franchise Group, LLC

Balance Sheet

As of December 31, 2021 Cash Flow

Omitted

Xtension Envy Franchise Group, LLC

Balance Sheet

As of December 31, 2021

	TOTAL
ASSETS	
Current Assets	\$131,959.99
TOTAL ASSETS	\$131,959.99
LIABILITIES AND EQUITY	
Liabilities	
Total Liabilities	
Equity	
Partner investments	251,000.00
Retained Earnings	
Net Income	-119,040.01
Total Equity	\$131,959.99
TOTAL LIABILITIES AND EQUITY	\$131,959.99

Xtension Envy Franchise Group, LLC

Profit and Loss

January - December 2021

	TOTAL
Income	
Services	5.00
Total Income	\$5.00
GROSS PROFIT	\$5.00
Expenses	\$119,045.01
NET OPERATING INCOME	\$ -119,040.01
NET INCOME	\$ -119,040.01

Xtension Envy Franchise Group, LLC
Notes to the Financial Statements December 31, 2021

NOTE 1 – NATURE OF OPERATIONS

The Company was founded in April 2021. The Company is registered in Arizona as a franchisor of a salon concept.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

No estimates and assumptions have been made for the period of these financial statements. If estimates and assumptions are used, they will be in conformity with U.S. GAAP that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Balance Sheet Classification

The Company includes in current assets and liabilities retainage amounts receivable and payable under client contracts, which may extend beyond one year. A one-year time period is used as the basis for classifying all other current assets and liabilities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory is valued at Lower of cost or market.

Property and Equipment

Property and equipment will be stated at cost. Depreciation will be computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

Xtension Envy Franchise Group, LLC
See accompanying Independent Accountants' Audit Report
Notes to the Financial Statements December 31, 2021 (Continued)

Impairment of Long-Lived Assets

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Xtension Envy Franchise Group, LLC
See accompanying Independent Accountants' Audit Report

Notes to the Financial Statements December 31, 2021 (Continued)

Income Taxes

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NOTE 3 – EVALUATION OF SUBSEQUENT EVENTS

As of report release date, no subsequent events came to our attention.

See accompanying Independent Accountants' Audit Report

EXHIBIT C

LIST OF CURRENT AND FORMER FRANCHISEES

Current Franchisees of as of December 31, 2023:

None.

Former Franchisees:

The name and last known address of every franchisee who had a Xtension Envy Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 2023, to December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

None.

Remainder of page intentionally left blank.

EXHIBIT D

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

STATE ADMINISTRATORS

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<p>CALIFORNIA State Administrator and Agents for Service of Process:</p> <p>Commissioner Department of Financial Protection and Innovation, 320 W. 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 (866) 275-2677</p> <p>HAWAII Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 Agents for Service of Process: Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p>ILLINOIS</p> <p>Illinois Attorney General Chief, Franchise Division 500 S. Second Street Springfield, IL 62706 (217) 782-4465</p> <p>INDIANA Secretary of State Securities Division Room E-018 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360</p> <p>Agents for Service of Process:</p> <p>Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020</p> <p>MICHIGAN Michigan Department of Attorney General Consumer Protection Division 525 W. Ottawa Street Lansing, MI 48913 (517) 373-7117</p> <p>MINNESOTA Department of Commerce Commissioner of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-3165 (651) 539-1600</p> <p>NEW YORK Administrator:</p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 (212) 416-8285 (Phone) Agents for Service of Process:</p> <p>New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492</p>	<p>NORTH DAKOTA North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 E. Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712</p> <p>RHODE ISLAND Department of Franchise Regulation 1511 Pontiac Avenue John O. Pastore Complex, Bldg. 69-1 Cranston, RI 02920 (401) 462-9527</p> <p>SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563</p> <p>VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219</p> <p>Agent for Service of Process:</p> <p>Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219</p> <p>WASHINGTON Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p>WISCONSIN Department of Financial Institutions Division of Securities 201 W. Washington Avenue Madison, WI 53703 (608) 266-3364</p>
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AGENTS FOR SERVICE OF PROCESS

Our agent for service of process in Arizona is Mark Chester, Chester Law, PLLC with an address of 8360 E. Raintree Drive Suite 140, Scottsdale, Arizona 85260, with phone number of (480) 922-3939.

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EXHIBIT E

STATE ADDENDA AND AGREEMENT RIDERS

STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR XTENSION ENVY FRANCHISE GROUP, LLC

The following modifications are made to Xtension Envy Franchise Group, LLC. (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20__ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Arizona. When the term “Supplemental Agreements” is used, it means none.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Arizona. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Supplemental Agreements restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.

The Franchise Agreement and Supplemental Agreements require the application of the laws of Arizona. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements

contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

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

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dbo.ca.gov.

HAWAII

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

Registered agent in the state authorized to receive service of process:

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

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed on the third page of the FDD on the page entitled, "State Effective Dates".
2. States which have refused, by order or otherwise, to register these Franchises are: None
3. States which have revoked or suspended the right to offer the Franchises are: None
4. States in which the proposed registration of these Franchises has been withdrawn are: None

ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void." The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise

relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: "provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act."

Item 17.w, Choice of Law, of the FDD is revised to include the following: "provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act".

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

INDIANA

Item 13 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place: No competing business for two years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise, Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

IOWA

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Xtension Envy Franchise Group, LLC, 9619 N Hayden Road, Suite 110, Scottsdale, AZ 85258, no later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: _____

By: _____

Print Name: _____

Its: _____

Date: _____

MARYLAND

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure

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

The Franchise Agreement and franchisee questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.\
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us, and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five years; and (ii) you are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the Franchise or you do not receive at least six months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us to refuse to renew a Franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

- (f) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the Franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
 - (ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- (h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a Franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to: State of Michigan
Department of Attorney General Consumer Protection Division Attn: Franchise
670 Law Building 525 W. Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor

from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit, or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Minnesota Statute 604.113 limits the fee for NFS (non-sufficient funds) to \$30. The fee table in the FDD Item 6 is hereby amended by removing the listed fee and replacing it with \$30. The franchise agreement will be amended to show the \$30 fee for any NFS payments from you to the franchisor.
10. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

The following is added at the end of Item 3:

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

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the Franchise System or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

The following is added to the end of Item 4:

Neither the Franchisor, its affiliate, its predecessor, officers or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code

or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for Franchisee to renew or extend,” and Item 17(m), entitled “Conditions for Franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

The following language replaces the “Summary” section of Item 17(d), titled “Termination by Franchisee

You may terminate the agreement on any grounds available by law.

The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by Franchisor:”

However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor’s obligations under the Franchise Agreement.

The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of Forum”, and Item 17(w), titled “Choice of Law:”

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

NORTH DAKOTA

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel, or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51- 19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 7 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials_____ Date_____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller’s receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Xtension Envy Franchise Group, LLC, 9619 N Hayden Road, Suite 110 Square, Scottsdale, AZ 85258 postdated no later than fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: _____

By: _____ Print Name: _____

Its: _____

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

SOUTH DAKOTA

Intentionally left blank.

VIRGINIA

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Xtension Envy Franchise Group, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

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

WASHINGTON

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your Franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your Franchise. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

In any arbitration involving a Franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights, or remedies under the Act such as a right to a jury trial may not be enforceable. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.]

(Signatures on following page)

Remainder of page intentionally left blank

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- | | | | | | |
|--------------------------|------------|--------------------------|--------------|--------------------------|------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan | <input type="checkbox"/> | Rhode |
| <input type="checkbox"/> | Hawaii | <input type="checkbox"/> | Minnesota | <input type="checkbox"/> | Island |
| <input type="checkbox"/> | Illinois | <input type="checkbox"/> | New York | <input type="checkbox"/> | South |
| <input type="checkbox"/> | Iowa | <input type="checkbox"/> | North Dakota | | Dakota |
| <input type="checkbox"/> | Indiana | <input type="checkbox"/> | Ohio | <input type="checkbox"/> | Virginia |
| <input type="checkbox"/> | Maryland | | | <input type="checkbox"/> | Washington |
| | | | | <input type="checkbox"/> | Wisconsin |

Dated: _____, 20_____

FRANCHISOR:

Xtension Envy Franchise Group, LLC

By: _____ Title: _____

FRANCHISEE:

By: _____ Title: _____

EXHIBIT F

CONTRACTS FOR USE WITH XTENSION ENVY FRANCHISE

The following contracts contained in Exhibit F are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of Xtension Envy Business. The following are the forms of contracts that Xtension Envy Franchise Group, LLC uses as of the Issuance Date of this Franchise Disclosure Document.

EXHIBIT F-1

XTENSION ENVY

FRANCHISE GENERAL RELEASE AGREEMENT WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (“Release”) is made as of __, 20__ by _____, a(n) _____ (“Franchisee”),

and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Xtension Envy Franchise Group, LLC, an Arizona Limited Liability Company (“Franchisor,” and together with Releasor, the “Parties”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a Xtension Envy business;

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee (**enter into a successor franchise agreement**), and Franchisor has consented to such transfer (**agreed to enter into a successor franchise agreement**); and

WHEREAS, as a condition to Franchisor’s consent to the transfer (**Franchisee’s ability to enter into a successor franchise agreement**), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent to the transfer (**Franchisor entering into a successor franchise agreement**), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties.** Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. The undersigned represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.
2. **Release.** Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim.
3. **Nondisparagement.** Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.
4. **Confidentiality.** Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of,

or any details relating to, this Agreement to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

- a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.
- b. This Release shall be construed and governed by the laws of the State of Arizona. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.
- c. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
- d. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.
- e. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.
- f. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.
- g. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require consummating, evidence, or confirm the Release contained herein in the matter contemplated hereby.

6. **THIS SECTION APPLIES ONLY IF THE FRANCHISEE IS LOCATED IN CALIFORNIA:** A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

(Signatures on following page)

IN WITNESS WHEREOF, Releasor has executed this Release as of the date written below.

FRANCHISEE: _____

a _____

By: _____ Title: _____

EXHIBIT F-2

XTENSION ENVY FRANCHISE PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Xtension Envy Franchise Group, LLC, an Arizona Limited Liability Company, and its successors and assigns (“us,” “we,” or “our”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Xtension Envy business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Xtension Envy business or the solicitation or offer of a Xtension Envy franchise, whether now in existence or created in the future.

“*Franchisee*” means Xtension Envy franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Xtension Envy business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential Web-based Operations Manual for the operation of a Xtension Envy business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Xtension Envy business, including “Xtension Envy,” and any other trademarks, service marks, or trade names that we designate for use by a Xtension Envy business. The term “Marks” also includes any distinctive trade dress used to identify a Xtension Envy business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce: (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position; or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the two-year period after you cease to be a manager or officer of Franchisee’s Xtension Envy business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the one-year period after you cease to be a manager or officer of Franchisee’s Xtension Envy business.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s Xtension Envy business (and including the premises of the approved location or the geographical center of the territory of Franchisee); and (ii) a 25-mile radius from all other Xtension Envy businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 15-mile radius from Franchisee’s Xtension Envy business or geographical center of the territory (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a Xtension Envy business, including Know-how, proprietary programs and products, Manual, and operating system.

2. **Background.** You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.
3. **Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than Xtension Envy business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Xtension Envy business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.
4. **Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Xtension Envy business by engaging in any Prohibited Activities.
5. **Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.
6. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.
7. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

8. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Xtension Envy franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners, or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. Miscellaneous.

- a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.
- b. This Agreement will be governed by, construed, and enforced under the laws of Arizona, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.
- d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date _____

Signature

Typed or Printed Name

Remainder of page intentionally left blank

EXHIBIT F-3

XTENSION ENVY FRANCHISE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Xtension Envy Franchise Group, LLC, an Arizona Limited Liability Company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Xtension Envy franchisees to use, sell, or display in connection with the marketing and/or operation of a Xtension Envy Business, whether now in existence or created in the future.

“*Franchisee*” means Xtension Envy franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Xtension Envy Business*” means a business that offers hair extension sales, installations, and ongoing maintenance to include coloring, washing, blow outs, straightening and cuts using our Intellectual Property.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Xtension Envy Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential Web-based Operations Manual for the operation of a Xtension Envy Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Xtension Envy Business, including “Xtension Envy” and any other trademarks, service marks, or trade names that we designate for use by a Xtension Envy Business. The term “Marks” also includes any distinctive trade dress used to identify a Xtension Envy Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Xtension Envy Business, including Know-how, proprietary programs and products, confidential Web-based Operations Manuals, and operating system.

2. **Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

3. **Know-How and Intellectual Property: Nondisclosure and Ownership. You agree:**

(i) you will not use the Intellectual Property in any business or capacity other than for the benefit of Xtension Envy Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v)

you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Xtension Envy Franchise Group, LLC You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

4. **Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.
5. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**
6. **Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Xtension Envy franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
7. **Miscellaneous.**
 - a. Although this Agreement is entered into in favor of Xtension Envy Franchise Group, LLC , you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.
 - b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.
 - c. This Agreement will be governed by, construed, and enforced under the laws of Arizona, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
 - d. Each section of this Agreement, including each subsection and portion, is severable. If any section,

subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date _____

Signature

Type or Printed Name

Remainder of page intentionally left blank

EXHIBIT F-4

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name _____ Business No. _____

Franchisee Mailing Address (street) Franchisee Phone No. _____

Franchisee Mailing Address (city, state, zip) _____

Contact Name, Address and Phone number (if different from above) _____

Franchisee E-mail Address _____

Bank Account Information:

Bank Name _____

Checking Savings.(check one)

Bank Account No. _____ Bank Routing No. (9 digits) _____

Bank Mailing Address (city, state, zip) _____

Bank Phone No. _____

Authorization:

Franchisee hereby authorizes Xtension Envy Franchise Group, LLC. (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____

Date: _____

Name: _____

Its: _____

Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT F-5

XTENSION ENVY FRANCHISE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment (“**Agreement**”) is entered into this ____ day of ____, 20____, between Xtension Envy Franchise Group, LLC (“**Franchisor**”), (“Former Franchisee”) and _____ (“New Franchisee”).

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated____, 20____ (“**Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate an Xtension Envy franchise located at _____ (“Franchised Business”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).
2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing of a franchise agreement pursuant to Section 5 of this Agreement.
3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement and waives any obligation for Former Franchisee to enter into a subordination agreement pursuant to the Franchise Agreement.
4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that all of Former Franchisee’s rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Former Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor’s current form of General Release Agreement.
5. New Franchise Agreement. New Franchisee shall execute Franchisor’s current form of Franchise Agreement and attachments for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Xtension Envy franchise as stated in Franchisor’s Franchise Disclosure Document.
6. Franchisee’s Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.
7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights

to the Franchised Business (“**Transaction**”) occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor’s involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee’s signing of a new franchise agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee’s acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Franchise Agreement or Franchised Business. Buyer hereby represents that it received Franchisor’s Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.
9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.
10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.
11. Affiliates. When used in this Agreement, the term “**Affiliates**” has the meaning as given in Rule 144 under the Securities Act of 1933
12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns
13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Arizona.

(Signatures on following page)

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

Xtension Envy Franchise Group, LLC

By: _____ Name: _____

Title: _____

**FORMER
FRANCHISEE:**

By: _____ Name: _____

Title: _____

NEW FRANCHISEE:

By: _____ Name: _____

Title: _____

EXHIBIT G
State Effective Dates

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
CALIFORNIA	NOT REGISTERED
FLORIDA	August 13, 2024
HAWAII	NOT REGISTERED
ILLINOIS	NOT REGISTERED
INDIANA	NOT REGISTERED
MARYLAND	NOT REGISTERED
MICHIGAN	NOT REGISTERED
MINNESOTA	NOT REGISTERED
NEW YORK	NOT REGISTERED
NORTH DAKOTA	NOT REGISTERED
RHODE ISLAND	NOT REGISTERED
SOUTH DAKOTA	NOT REGISTERED
UTAH	August 5, 2024
VIRGINIA	NOT REGISTERED
WASHINGTON	NOT REGISTERED
WISCONSIN	July 24, 2024

EXHIBIT H
RECEIPTS

RECEIPT (Retain This Copy)

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 Xtension Envy Franchise 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, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Xtension Envy Franchise Group, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Xtension Envy Franchise Group, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Xtension Envy Franchise 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, DC 20580, and the appropriate state agency identified on Exhibit D.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Scott Lewandowski, 14850 N. 87 th St., Ste. 130, Scottsdale, AZ 85260;
Peter Taunton, 14850 N. 87 th St., Ste. 130, Scottsdale, AZ 85260

Issuance Date: July 8, 2024

I received a disclosure document dated July 8, 2024 which included the following exhibits:

- Exhibit A Franchise Agreement
- Exhibit B Financial Statements
- Exhibit C List of Current and Former Franchisees
- Exhibit D List of State Administrators and Agents for Service of Process
- Exhibit E State Addenda and Agreement Riders
- Exhibit F Contracts for use with the Xtension Envy Franchise
- Exhibit G State Effective Dates
- Exhibit H Receipts

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

PLEASE RETAIN THIS COPY FOR YOUR RECORDS.

RECEIPT (Our Copy)

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 Xtension Envy Franchise 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, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Xtension Envy Franchise Group, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Xtension Envy Franchise Group, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Xtension Envy Franchise 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, DC 20580, and the appropriate state agency identified on Exhibit D.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Scott Lewandowski, 14850 N. 87 th St., Ste. 130, Scottsdale, AZ 85260; (612) 418-9900
Peter Taunton, 14850 N. 87 th St., Ste. 130, Scottsdale, AZ 85260; (612) 418-9900

Issuance Date: July 8, 2024

I received a disclosure document dated July 8, 2024, which included the following exhibits:

- Exhibit A Franchise Agreement
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- Exhibit C List of Current and Former Franchisees
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- Exhibit E State Addenda and Agreement Riders
- Exhibit F Contracts for use with the Xtension Envy Franchise
- Exhibit G State Effective Dates
- Exhibit H Receipts

Date	Signature	Printed Name
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to Xtension Envy Franchise Group, LLC, 14850 N. 87th St., Ste. 130, Scottsdale, AZ 85260; phone number (612) 418-9900.