

FRANCHISE DISCLOSURE DOCUMENT

FANTASTIC SAMs[®]

CUT & COLOR

Fantastic Sams Franchise
Corporation
a Delaware corporation
6901 East Fish Lake Road, #170
Maple Grove, MN 55369
Telephone: 978.232.5600
franchise@fantasticsams.com
<https://fantasticsamsfranchise.com>

The franchise described in this Disclosure Document is the right to become our development agent and solicit qualified candidates in a defined territory to become our franchisees of Fantastic Sams® branded salons that offer and sell a full range of haircare products and services to men, women and children and provide certain support services to our franchisees.

The total investment necessary to begin operation of a Fantastic Sams® development agent business ranges from \$48,500 to \$101,500. This includes \$35,000 to \$75,000 that must be paid to the franchisor.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Director of Franchise Administration at 6901 East Fish Lake Road, #170, Maple Grove, Minnesota 55369 and (978) 232-5600.

The terms of your contract will govern your franchise relationship. Don't 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. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: April 28, 2024, as amended May 28, 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 20 or 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?	Item 21 or Exhibit D 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 Fantastic Sams business in my area?	Item 12 and the "territory" provisions in the development agent 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 an Fantastic Sams franchisee?	Item 20 or 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 development agent 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 development agent 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 development agent agreement grants you a territory, the franchisor may have the right to compete with you in your DA Territory.

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The development agent agreement requires you to resolve disputes with us by arbitration or litigation in Delaware. Out of state arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate and litigate with us in Delaware than in your own state.

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

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

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

(a) A prohibition on the right of a development agent to join an association of franchisees/development agents.

(b) A requirement that a development agent assent to a release, assignment, novation, waiver, or estoppel which deprives a development agent of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a development agent, after entering into a development agent agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a development agent prior to the expiration of its term except for good cause. Good cause shall include the failure of the development agent to comply with any lawful provision of the development agent 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 development agent by repurchase or other means for the fair market value at the time of expiration of the development agent'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 development agent 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 development agent does not receive at least 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 development agent 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 this state. This shall not preclude the development agent 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 sub-franchisor.

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

(iv) The failure of the development agent or proposed transferee to pay any sums owing to the franchisor or to cure any default in the development agent agreement existing at the time of the proposed transfer.

(h) A provision that requires the development agent 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 development agent has breached the lawful provisions of the development agent 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 development agent unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a development agent, arrange for the escrow of initial investment and other funds paid by the development agent until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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:

Michigan Attorney General's Office
Consumer Protection Division
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
Telephone Number: 517-373-7117

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Development agent Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

TABLE OF CONTENTS

Item		Page
ITEM 1	FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE	4
ITEM 3	LITIGATION.....	4
ITEM 4	BANKRUPTCY	7
ITEM 5	INITIAL FEES.....	7
ITEM 6	OTHER FEES	8
ITEM 7	ESTIMATED INITIAL INVESTMENT.....	10
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11
ITEM 9	FRANCHISEE’S OBLIGATIONS	14
ITEM 10	FINANCING.....	15
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....	15
ITEM 12	TERRITORY	22
ITEM 13	TRADEMARKS	24
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	26
ITEM 15	OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	27
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	28
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	28
ITEM 18	PUBLIC FIGURES.....	32
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	32
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	33
ITEM 21	FINANCIAL STATEMENTS	35
ITEM 22	CONTRACTS.....	36
ITEM 23	RECEIPTS	36

EXHIBITS

A	State Agencies/Agents for Service of Process
B	Development Agent Agreement
C	Lists of Current Development agents and of Those Development agents Who Have Ceased Operations
D	Financial Statements
E	Form of General Release
F	Representations and Acknowledgment Statement
G	State Specific Addenda/Riders
H	Receipts

ITEM 1
FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document (this “**Disclosure Document**”), we use the terms “Franchisor” or “we” to refer to the franchisor, Fantastic Sams Franchise Corporation. When we refer to our affiliates, we will refer to them using the names outlined below. “You” means the person or entity that buys the development agent franchise. If you are a corporation, partnership, limited liability company or other entity, certain provisions of the Development Agent Agreement (defined below) and related agreements will also apply to your owners.

Our legal name is Fantastic Sams Franchise Corporation and we were originally formed under the name “Fantastic Sams Salons Corporation” on May 29, 2003 in Delaware. Our principal place of business is 6901 East Fish Lake Road, #170, Maple Grove, Minnesota 55369, and our telephone number is 978 232 5600. We do not conduct business under any name other than our corporate name and under the name “**Fantastic Sams®**.”

Under a separate franchise disclosure document (the “**Salon FDD**”), we offer franchises in certain region for (i) development and ownership of single Fantastic Sams®-branded salon that offer and sell a full range of haircare products and services to men, women and children (each, an “**Salon**”) under our unit franchise agreement (the “**Unit Franchise Agreement**”), and (ii) the right, under a multi-unit development agreement (a “**MUDA**”), to acquire multiple franchises to develop Salons (each of which operates under a separate Unit Franchise Agreement) within a specifically described geographic territory according to an agreed upon development schedule. All Salons operate using our operating system (the “**System**”) as set out in our operations manuals for the operation of the Salons (the “**Manuals**”) and are identified by the “Fantastic Sams®” trademark as well as other trademarks, trade names, symbols and/or logos that we designate, both now and in the future (the “**Marks**”).

We and our predecessors previously offered, and neither we nor any of our affiliates currently offer, the opportunity to operate as a Fantastic Sams® subfranchisor (a “Subfranchisor”). A Subfranchisor operates a subfranchise business in accordance with a Subfranchisor Agreement with us. Subfranchisors recruit individuals interested in purchasing franchises directly from the Subfranchisor (a “Subfranchise”) pursuant to a Subfranchise Agreement. We are not parties to the Subfranchise Agreement. As of December 31, 2023, there were 8 Subfranchisors operating in 12 states with 77 subfranchisees. We do not offer franchises for Salons in an area where a Subfranchisor operates.

Except as described above, we were never involved in any other line of business and we have not never offered franchises in any other line of business; however, we may do so in future.

Our Predecessor

On August 14, 2015, Fantastic Sams Franchise Corporation, another Delaware entity (“**Old FSFC**”), and Fantastic Sams Distribution Corporation (“**Distribution Corp**”) were merged into Fantastic Sams Salons Corp (“**Salon Corp**”) and the surviving entity was called “Fantastic Sams Franchise Corporation” (the “**Consolidation**”). Prior to the Consolidation (i) Old FSFC was the

master franchisor of the System, (ii) Salons Corp only offered, as a subfranchisor, unit franchises for Salons and multi-unit development rights in certain regions, and (iii) Distribution Corp offered certain products for sale to the Salon owners. Prior to the Consolidation, the principal business address of Old FSFC, Salon Corp and Distribution Corp was 500 Cummings Center, Suite 1100, Beverly, MA 01915. Except as described in this paragraph, Old FSFC, Salon Corp, and Distribution Corp were never engaged in any other business.

Our Parents and Affiliates

We are owned by Fantastic Sams International Corporation (“**FSI Corp**”), a Delaware corporation, which is owned by Dessange Group North America, Inc. (“**DGNA**”), a Delaware corporation. FSI Corp, and DIGNA share our principal business address. D. Participations SAS, a French corporation (“**D. Participations**”) is the parent of DGNA. D. Participations is also the parent of Dessange International SAS (“**DISAS**”), also a French corporation. D. Participations and DISAS operate from their office at 39 Avenue Franklin Roosevelt, 75008, Paris, France.

Our affiliate, C.Alb Franchising, Inc. (“**C.Alb Franchising**”), a Delaware corporation began franchising Camille Albane salons in the United States in April 2013 but no longer actively franchises Camille Albane salons in the United States. As of December 31, 2023, there were no franchised Camille Albane salons in the United States and 160 Camille Albane salons outside the United States. C.Alb Franchising shares our principal business address. C.Alb Franchising has never owned or operated any Fantastic Sams salon or sold franchises for any business other than Camille Albane salons, but may do so in the future.

Our affiliate, Dessange Franchising, LLC, a Delaware limited liability company (“**Dessange Franchising**”). In June 2006, Dessange Franchising started selling franchises for Dessange Salons. As of December 31, 2023, there were 2 franchised “Dessange” salons in the United States and 279 Dessange salons outside the United States. Dessange Franchising shares our principal business address. Dessange Franchising has never owned or operated any Fantastic Sams Salon or sold franchises for any business other Dessange salons business, but may do so in the future.

Except as disclosed above, we do not have any predecessors, parents, or affiliates that must be disclosed in this Disclosure Document.

Our agents for service of process in the states which require franchise registration are listed in Exhibit A.

Description of Franchise

Under this Disclosure Document, we offer to certain qualified persons who own and operate at least 1 Salon, franchises for the right to (a) solicit, on our behalf, prospective franchisees for Salons in a designated territory (the “**DA Territory**”) in accordance with an agreed upon development schedule (the “**Sales Services**”), and (b) assist us in rendering training and certain other support services to franchisees of Salons (the “**Support Services**”). The persons or entities to whom we grant those rights are referred to in this Disclosure Document as the “**Development agents**,” and the franchises we grant to such Development agents are referred to as the “**DA Business**.” If we elect to grant you a franchise for an DA Business, you must sign our current form

of development agent agreement (an “**Development Agent Agreement**”) which is attached to this Disclosure Document as Exhibit B.

Under a typical Development Agent Agreement, the Development agent undertakes to solicit prospective franchisee candidates in the DA Territory (each a “**Prospect**”) who meet our criteria, with each of whom we may execute out then-current form of Unit Franchise Agreement, and each of whom will then open a Salon within a designated territory pursuant to their respective Unit Franchise Agreement. Typically, the development schedule under the Development Agent Agreement requires development of 20 new Salons in the DA Territory. As our Development agent, you will solicit Prospects for development salons in the DA Territory and assist the franchisees to open their Salons in accordance with the development schedule that you and we agree to prior to signing the Development Agent Agreement. While we require our Development agents to provide certain franchise sales and support services we do not grant our Development agents any management responsibility with respect to sale or operation of the Salons. Development agents do not have the authority to execute any Unit Franchise Agreement on our behalf.

We will compensate you for your services by paying you (i) 40% of the initial franchise fees paid to us under each Unit Franchise Agreement pursuant to your Development Agent Agreement, less any payments made by us to third parties for generating leads in your DA Territory, and (ii) 40% of the weekly franchise fee that we receive during the term of your Development Agent Agreement from franchisees that execute a Unit Franchise Agreement pursuant to your Development Agent Agreement.

Market and Competition

In providing the franchise sales and support services, you will be competing with other brands who are soliciting prospective franchisees, particularly those brands whose initial investment is similar to that of a Salon, whose franchise program (both fee and operational requirements) is similar to that of our unit franchise program, and who operate the same or similar types of businesses. The market for hair salons will highly competitive.

Industry Regulations

You should consider that the offer and sale of franchises is heavily regulated by federal and state laws. You must comply with all such laws that govern the Sales Services. Neither you nor any of your employees or representatives may solicit Prospects until we have provided you with our current disclosure document related to the offer and sale of Salon franchises.

You must also comply with all local, state, and federal laws of general applicability to all businesses, such as laws related to employee compensation, business licensure, minimum wage laws, etc. You should consult with your own professional advisors, such as an attorney and accountant, regarding applicable laws and regulations. Certain states may require a Development agent to register as a sub-franchisor or a franchise broker. There may also be other laws applicable to your DA Business. We urge you to make further inquiries about these laws.

ITEM 2

BUSINESS EXPERIENCE

The following is a list of directors, principal officers, and other individuals who have management responsibilities for the sale of franchises or the operation of our business relating to the franchises for Salons described in this Disclosure Document. Unless otherwise indicated, the employee serves from our office in Maple Grove, Minnesota.

Chief Executive Officer: Thomas A. Boitz

Mr. Boitz has been our Chief Executive Officer since December 2021. Since July 2020, Mr. Boitz has also been the President and Chief Executive Officer of Boitz Investments LLC, whose principal office is located in Ely, Minnesota. Prior to that, Mr. Boitz was on a sabbatical. Mr. Boitz also has been on our Board of Directors and the Board of Directors of DGNA since December 2021. Mr. Boitz plans to step down from his role as our Chief Executive Officer in July 2024.

Board of Directors: Emmanuel Gasnot

Mr. Gasnot has serviced on our Board of Directors and the Board of Directors of DGNA since January 2023. Mr. Gasnot has also the CEO of D Participations in Paris France and on the Chairman of Board of the DGNA since December 2018. Mr. Gasnot was the Managing Director for D Participations in Paris, France from June 2012 through December 2018.

Chief Operating Officer: Kimberly Amadon

Ms. Amadon has been our Chief Operating Officer since May 2024 and was our Vice President of Operations and Business Development from January 2024 until May 2024. Previously, Ms. Amadon was our Senior Director of Business Development and Relationship Management from March 2020 to January 2024. Prior to that, she was the Regional Business Development Manager for Ratner Company from July 2019 to March 2020, in Vienna, Virginia and Regional Business Development Manager for Ulta Beauty from March 2012 to July 2019 in Boling Brook, Illinois.

ITEM 3

LITIGATION

Prior Actions

Francounsel Group, LLC vs. Dessange International S.A.S., DF Export, S.A.S, Fantastic Sams Distribution Corporation, Fantastic Sams Franchise Corporation, Fantastic Sams Holding Corporation, Fantastic Sams International Corporation, Fantastic Sams Retail Corporation, Fantastic Sams Salons Corporation, et al., Case No. 1:12-CV-11071-NMG, U.S. District Court, District of Massachusetts (served June 22, 2012). Plaintiff, Francounsel filed this case against Distribution Corporation, Old FSFC, Fantastic Sams Holding Corporation, FSI Corp, Retail Corp and Salons Corp (the “FS Entities”) and against Dessange International S.A.S. and DF Export, S.A.S. (the “Dessange Entities”) based on an alleged agreement between plaintiff and the Dessange Entities under which plaintiff would have received a brokers fee in the event the FS Entities had purchased franchise rights to the Dessange or Camille Albane concepts from the

Dessange Entities for the U.S. Plaintiff, under several causes of action, including breach of contract and fraud, claims to be entitled to a brokers' fee and other damages (in an amount no less than \$5,000,000 USD) arising from the January 12, 2012 purchase of the FS Entities by the Dessange Entities. On December 14, 2012, defendants filed a Motion to Dismiss the Complaint on numerous grounds including that the matter should be tried by Tribunals of Paris France under the doctrine of *forum non convenient*. On September 30, 2013 the court dismissed all claims against the Dessange defendants. The court also dismissed all of plaintiff's claims against the FS Entities except the allegation of fraud and violation of c.93A of the Massachusetts General laws. In October 2014, in order to avoid further legal expenses of a trial, the parties without admitting any liability, settled the case and executed a settlement agreement. Under the terms of the settlement, a settlement amount of \$258,776 was paid to plaintiff with FS Entities' insurance carriers paying 2/3 of the amount and FS Entities and Dessange Entities paying 1/3 of the amount.

Envision Investments, LLC and R.U.T. 13, LLC. vs. Fantastic Sam's Franchise Corporation d/b/a Fantastic Sam's, JAS Investments, Inc. and John Shand: Case No. 12CVS01944, North Carolina General Court of Justice, Superior Court Division, County of Union. Filed July 6, 2012. Plaintiffs are former subfranchisees of defendant JAS Investments Inc. ("JAS"), a FS Subfranchisor. Defendant John Shand ("Shand") is the principal shareholder of JAS. JAS offered plaintiffs the right to rescind their respective Franchise Agreements with JAS in March 2012 as a result of alleged deficiencies in JAS' franchise disclosure documents provided to them by JAS and Shand before purchasing their franchises. Both plaintiffs accepted the rescission offer and filed this action (the "Subfranchisee Claims") seeking damages against all defendants for an amount in excess of \$300,000 each, alleging fraud, breach of contract, breach of Federal and North Carolina franchise disclosure requirements and unfair and deceptive trade practices. Defendants JAS and Shand filed a Cross-Claim against Old FSFC dated September 6, 2012, alleging that JAS's failure to issue a proper franchise disclosure document to Plaintiffs resulted from Old FSFC's failure to provide them (JAS and Shand) with a current FDD for RLAs (defined in the FSRO Association, Ltd. case above), seeking indemnification against the claims of Subfranchisee Claims and damages in excess of \$10,000 for breach of contract and unfair and deceptive trade practices under Chapter 75 of the North Carolina General Statutes (collectively, the "JAS/Shand Cross-Claims"). On September 12, 2012, Old FSFC filed a Cross-Claim against JAS and Shand alleging unfair trade practices, violation of the Lanham Act and breach of contract, and seeking: (i) an order directing JAS to assign all of its franchise agreements with subfranchisees to Old FSFC; (ii) treble damages for unfair and/or deceptive trade practice pursuant to Chapter 75 of the North Carolina General Statutes; (iii) treble damages for unlawful infringement of Old FSFC's trademarks and an injunction enjoining Shand and JAS from continued infringement of the Fantastic Sams trademarks; (iv) an injunction enjoining JAS and Shand from engaging in the hair care business in North Carolina for 5 years in North Carolina, South Carolina and Georgia; and (v) indemnification from the Subfranchisee Claims (collectively, the "Old FSFC Cross-Claims"). On June 11, 2013, the court granted Old FSFC's Summary Judgment Motion against JAS and Shand, ruling that: (i) Old FSFC properly terminated JAS' Regional Franchise Agreement for a material breach; (ii) JAS violated the Lanham Act by continuing to use the Proprietary Marks; (iii) JAS violated the non-competition provision of JAS' Regional Franchise Agreement after termination by continuing to act as subfranchisor to the subfranchisees; and (iv) enjoining JAS from continuing to act as subfranchisor. In October 2014, in order to avoid further legal expenses of a trial, the plaintiffs and Old FSFC without admitting any liability, settled the case related to claims between them and executed a settlement agreement. Under the terms of the settlement: (i) a settlement amount of

\$296,000 was paid to the plaintiffs by Old FSFC; (ii) the plaintiffs agreed to dismiss their claims against Old FSFC with prejudice; and (iii) the plaintiffs agreed to dismiss their claims against JAS and Shand without prejudice and not refile any claims related to this matter against JAS and Shand prior to August 7, 2015 in order to preserve and give priority to Old FSFC claims against JAS and Shand (including Old FSFC's right to seek indemnification).

Fantastic Sams Franchise Corporation v. Eridon Enterprises, Inc. and Eric Hardaway, AAA Case No. 01-17-0000-3092, filed January 14, 2017 before the American Arbitration Association in Boston, Massachusetts. Eridon Enterprises, Inc. and Eric Hardaway (the "Eridon defendants") are the franchisee and guarantor under a franchise agreement with us for the operation of a salon (the "Eridon Salon"). We brought this action in connection with the Eridon defendants' closure of the Eridon Salon in default of the franchise agreement. The Eridon defendants asserted counterclaims alleging (i) breach of the franchise agreement, (ii) negligence, and (iii) that in connection with the IFA MinorityFran program, there were misrepresentations and a fraudulent inducement all related to the Eridon defendants' belief that there was a franchise program for salons focused on minority consumers (including assertions that the alleged misrepresentations were unfair and deceptive practices). On July 1, 2017, the parties entered into a confidential settlement agreement under which the Eridon defendants agreed to pay us \$90,000 and the parties exchanged general releases. The claims and counterclaims were dismissed with prejudice pursuant to the settlement agreement on July 18, 2017.

Fantastic Sams Franchise Corporation v. HopeWorks, LLC, Asha Vasant, and Umar Latif AAA Case No. 01-17-0002-7304, filed on May 10, 2017 before the American Arbitration Association ("AAA") in Boston, Massachusetts. HopeWorks, LLC, Asha Vasant, and Umar Latif (the "HopeWorks defendants") are the franchisee and guarantors under a franchise agreement with us for the operation of a salon (the "HopeWorks Salon"). We brought this action in connection with HopeWorks defendants' closure of the HopeWorks Salon in default of the franchise agreement. The HopeWorks defendants argued that our claims were outside the scope of the arbitration provision and, in the alternative, sought to transfer the final hearing locale to Orange County, California. The AAA overruled both objections and appointed a three-arbitrator panel. The HopeWorks defendants renewed their objections before the panel, which similarly overruled them. On December 1, 2017, two of the HopeWorks defendants filed a lawsuit styled Hope Works and Vasant ("plaintiffs") v. FSFC, Fantastic Sams Salons Corporation, and John Does 1-10, No. 30-2017-00958860 (Superior Court of the State of California, Orange County), asserting claims for breach of the franchise agreement, intentional misrepresentation, breach of the covenant of good faith and fair dealing, as well as a declaratory judgment. The claims were based on allegations that certain FSFC representatives misrepresented to plaintiffs that the existing franchised salon that the plaintiffs acquired had been profitable when allegedly it was not. Plaintiffs further alleged that FSFC misrepresented the support it would provide to plaintiffs to induce them to acquire the existing salon and breached the franchise agreement and implied covenant by failing to provide that support as well as advertising and training. Plaintiffs sought unspecified general and punitive damages, a declaratory judgment that the arbitration provision is unenforceable, and attorneys' fees and costs. On March 16, 2018, the parties reached a confidential settlement agreement to fully resolve all claims and counterclaims in the arbitration and state court matter. Under the settlement agreement, the Vasant defendants agreed to pay us \$50,000, and the parties exchanged releases. On March 26, 2018, the state court matter was dismissed with prejudice. On April 16, 2018, the arbitration was dismissed with prejudice.

Sharon Halter and CMH Ventures One, LLC v. Fantastic Sams Franchise Corporation, AAA Case No. 01-18-0001-3212, filed on March 29, 2018 before the American Arbitration Association in Boston, Massachusetts. Franchisee and personal guarantor of a franchised salon in Acton, Massachusetts (the “Salon”) filed a demand against us seeking a declaration that the franchise agreement’s post-expiration noncompetition covenant was unenforceable based on the allegedly unique circumstances under which the Salon operated. On October 23, 2018, the parties fully resolved all claims by executing a confidential amendment to claimants’ franchise agreement. The amendment required claimants to pay us \$25,000, extended the term of the franchise agreement to January 31, 2019, and eliminated certain post-expiration covenants, including the noncompetition covenant and requirement to return the Salon’s phone number. The parties also exchanged mutual releases. The matter was dismissed with prejudice on November 6, 2018.

Fantastic Sams Franchise Corporation v. F.S. Salons Sandy Springs, LLC, FS Salons Store #2, LLC, FS Salons Store #3, LLC, and Todd A. Stafford, AAA Case No. 01-18-0003-1581, filed on August 29, 2018 before the American Arbitration Association in Boston, Massachusetts. We brought this action against three related franchisees and the personal guarantor of each that operated two current and one former franchised salons in Georgia. Our action was brought in connection with their violation of the franchise agreements’ in-term and post-term noncompetition covenants. On September 19, 2018, respondents filed counterclaims against us, alleging that we had materially breached each franchise agreement by committing unspecified actions that allegedly violated sections 4, 6, and 7 of each franchise agreement and by failing to attempt to resolve the dispute in good faith before filing the arbitration. Respondents further alleged that unspecified conduct had breached the covenant of good faith and fair dealing, breached an alleged duty owed under Section 5 of the Federal Trade Commission Act, and violated the Massachusetts Consumer Protection Act and Georgia Fair Business Practices Act. Respondents sought unspecified damages, including exemplary and treble damages, and costs and attorneys’ fees. On December 3, 2018, the parties fully resolved all claims and counterclaims under a confidential settlement agreement. The settlement agreement required respondents to pay us \$53,500, terminated the remaining two franchise agreements, and waived the respondents’ post-termination noncompetition covenants. The parties also exchanged mutual releases. The matter was dismissed with prejudice on January 15, 2019.

Other than the actions described above, no litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

ITEM 5 **INITIAL FEES**

Initial Development agent Fee: Concurrently, with the execution of your Development Agent Agreement you must pay us in lump sum, a nonrefundable fee development agent fee (the “DA Fee”) to acquire the right to own and operate your DA Business. Your DA Fee will be an amount equal to \$0.05 multiplied by the total population of the DA Territory. Typically, the DA Territory will comprise of population in the range of 700,000 to 1,500,000. Therefore, in such

circumstances, the DA Fee will be in the range of \$35,000 to \$75,000. The DA Fee is fully earned by us upon our execution of the Development agent Agreement.

Before commencing the operations of your DA Business, you must attend and successfully complete the initial training that we provide to new Salon owners (i.e. the Salon Fundamentals Course and the New Owner Training (collectively, the “Initial Franchisee Training”)) and the Development Agent Training Program.

ITEM 6

OTHER FEES

Fees^{1,2}	Amount	Due Date	Remarks
Technology System Fee	Currently, \$150 per year.	When billed	This fee provides for your right to use certain Technology System (as defined in Item 11) that we mandate and make available for use in the operation of your DA Business from time to time.
Interest	18% or the highest legal rate.	On demand	Payable on all overdue amounts; accrues from the due date until paid.
Late Payment Fee	\$25 for each week (or portion thereof)	On demand	Payable on all overdue amounts; accrues from the due date until paid.
Noncompliance Fee	Up to \$500 per incident	On demand	Payable if you (i) fail to comply with mandatory System Standards and you do not cure the non-compliance within the time period we require, (ii) after committing a default under the Development Agent Agreement, you commit the same default under the Development Agent Agreement within 6 months, or (iii) fail to operate your DA Business continuously during normal business hours during any day in which the DA Business is required to be open and operating without our consent.
Annual conference registration fee	Estimated to be \$300 per person	Upon registration	We may charge you a reasonable registration fees for each individual that attends or participates in our annual conference.
Transfer Fee	An amount equal to \$1,000 multiplied the number of Franchised Salons then	Concurrently with the transfer	Payable as compensation for the expenses and resources required to review and approve the transfer, for the time and resources required to transition your buyer into the System, and for any disruption to our revenue stream that can result from a transfer of the business or an ownership interest in you. The amount of this fee may be impacted by and subject to applicable state law.

Fees^{1,2}	Amount	Due Date	Remarks
Successor Development Term Fee	An amount equal to \$1,000 multiplied the number of Salons that you agree to cause to be opened during the successor development term.	Upon renewal	Payable only if you seek a successor development term.
Insurance Premiums	Estimated to be \$2,000 to \$4,000 (for 3 months), plus 15%.	On demand	Payable only if you do not maintain the required insurance coverages, and we exercise our right (but not the obligation) to obtain insurance on your behalf. You must, in that event, reimburse the costs of the insurance premium plus a 15% administrative fee.
Costs and Attorneys' Fees	Will vary under circumstances.	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating your agreement.
Indemnification	Will vary under circumstances.	On demand	You must defend, hold us harmless, and reimburse us for the damages we incur if we are sued or held liable for claims that arise from your operation your DA Business and for costs associated with defending claims that you used the Marks in an unauthorized manner. You must also defend, hold us harmless, and reimburse us for the full amount of all taxes and any liability (including penalties, interest and expenses) arising from the payment of your DA Business's taxes, whether such taxes were correctly or legally asserted or not.
Contribution for Legal Actions	40% of the reasonable attorneys' fees and costs we incur	On demand	Incurred if we bring legal action to enforce our rights under, or to defend claims relating to, any Franchised Salons in your Territory. We may setoff these amounts against compensation otherwise due you.

Notes:

1. Unless noted differently, all the fees in this Item 6 are payable to us or our affiliates, are uniformly imposed and are non-refundable.

2. We are not responsible for, and you must make arrangements to pay, any compensation, travel and living expenses to which your trainees are entitled during any and all training, conferences, and programs. For any training programs that we conduct, we may, in our discretion, supplement or replace portions of the in-person training with online training modules.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGENT AGREEMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
DA Fee (Note 1)	\$35,000 to \$75,000	Lump Sum	On execution of Development agent Agreement	Us
Travel & Living Expenses While Training (Note 2)	\$1,500 - \$3,000	As incurred	As incurred	Third-party Suppliers
Professional Fees (Note 3)	\$3,500 to \$6,000	Lump sum	As arranged	Third-party Suppliers
Technology System (Note 4)	\$1,000 to \$2,500	Lump sum	As arranged	Third-party Suppliers
Insurance (Note 5)	\$2,000 to \$4,000	Lump sum or as arranged	As arranged	Third-party Suppliers
Miscellaneous cost (basic office supplies, business cards, broker registration fee, and other miscellaneous start-up costs)	\$1,500 to \$3,000	Lump sum or as arranged	As arranged	Third-party Suppliers
Additional Funds – 3 Months (Note 6)	\$4,000 to \$8,000	As incurred	As arranged	Third parties
TOTAL (NOTE 7)	\$48,500 to \$101,500			

Unless noted, all amounts reflected in this Item 7 will be non-refundable unless you are able to negotiate a refund with a particular supplier. We do not finance any portion of your initial investment.

Notes:

1. The DA Fee will be in the range of \$35,000 to \$75,000 under Development Agent Agreements if development agents to commit to development of 20 new Salons. If you commit to developing more than 20 salons then, depending on the population of your DA Territory, you will pay us a higher DA Fee.

2. These estimates include only your out-of-pocket costs associated with attending our Initial Franchisee Training and Initial Development agent Training, including travel, lodging, meals and applicable wages for the first three trainees. You may not incur these expenses if we choose to offer these training programs virtually.

3. We recommend that you engage the services of an attorney and/or accountant to assist you in evaluating this franchise offering. Your costs may vary depending on how much you rely on your chosen advisors.

4. This estimate includes the cost of buying a computer/laptop, printer, scanner, internet services, and other hardware and software that we currently designate. You may not incur some of these costs if you already own some of the Technology Systems (defined below) designated by us.

5. You must purchase and maintain insurance coverage as necessary to comply with your state and local laws, with the Development agent Agreement and with our Manual. See Item 8 for a description of our current requirements.

6. You may need additional funds during the start-up phase of your business to purchase supplies and pay other expenses. We estimate the start-up phase to be 3 months from the date you open your DA Business.

7. We have relied on our experience of selling unit franchises to compile these estimates. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a DA Business.

This estimate does not include the estimated initial investment required to open and operate a Salon. The franchises for Salons are offered under the Salon FDD, which describes the estimated initial investment to develop, open, and begin operating the Salons.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

We have developed and may further revise standards and specifications for materials, supplies and services to be used in connection with operating the DA Business, such as the Unit Franchise Agreements, the Salon FDD and franchise sales materials, advertising, training manuals and supplies that are related to the System. Our operating procedures, customer service standards methods, marketing technique, mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) are set out in the Manual or otherwise communicated to you in writing from time to time.

We will provide you access to one set of our Manuals, which include our business policies, System Standards. We may modify the Manuals from time to time to reflect changes in System Standards, and we will communicate any such changes to you in writing.

Approved Suppliers

Currently, we are the only approved supplier of the Unit Franchise Agreements, the Salon FDD and franchise sales materials, and advertising materials (collectively, the “**Documentation**”) that you will use to solicit franchisees for the Salons. We provide electronic copies of such materials to you for your use at no cost. Neither you nor any of your owners, employees or representatives may solicit Prospects until we have provided you with our current disclosure document related to the offer and sale of franchises for the Salons in your DA Territory, and have complied with all state registration requirements, if necessary. You must stop using and distributing the Documentation immediately on notice from us if we determine that these items

need to be updated or do not comply with applicable laws regulating their use. We may modify our System Standards at any time and notify you of the same in writing.

In the future, we may require you to purchase certain components of the Technology System (as defined below) i.e. the management software, from our designated vendors, which may be limited to us or our affiliates.

We do not permit Development agents to contract with alternative suppliers.

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers, to begin your DA Business represent approximately 10% of your total purchases to establish your DA Business and up to 10% of your total purchases to operate DA Business.

Technology System

You must obtain, maintain, and use the hardware, software, other equipment, and network connections that we specify periodically in the Manuals, including the hardware, software, other equipment, and network connections necessary to operate any technology systems that we designate (collectively, the “Technology System”). Currently, we require you to purchase and maintain a personal computer that is capable of running the software that we require and that operates on a Windows 7 or higher operating system with Microsoft Office installed (to include Excel, Word and Outlook). The laptop must have a high-speed modem that permits you to connect to the Internet and to transmit and receive e-mail. The laptop must have current and active antivirus software installed. A printer is also required.

If we require you to use any proprietary software or to purchase any other software from a designated vendor, you must execute any software license agreements that we or the licensor of the software require and any related software maintenance agreements and pay the necessary software licensing fee. We may require you to maintain service support contracts and/or maintenance service contracts and implement and periodically make upgrades and changes to the computer hardware and software, and credit card, debit card and other non-cash payment systems.

Insurance

Before you the operation of your DA Business, you must obtain the insurance coverage specified below. This insurance coverage must be maintained during the term of the Development Agent Agreement and must be obtained from a responsible carrier or carriers acceptable to us.

Coverage	Amount Limits
GENERAL Liability	\$1,000,000 CSL (Required)–Occurrence
Broad Form Money & Securities (On/Off Premises, Messenger’s Home)	recommended
Automobile (including owned, hired or leased and Non-Owned)	Included in General Liability
Products and Professional Included in General Liability	Included in General Liability

Coverage	Amount Limits
Broad Form Liability Endorsement	Included in General Liability
Business Interruption	Recommended
Error and Omissions	\$1,000,000 per occurrence /\$1,000,000 aggregate limit

All of these policies must contain the minimum coverage we prescribe from time to time and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. The insurer under any required policy must at all times maintain at least an “A” rating or better as rated by Best’s Insurance Reports (or any similar rating that we periodically designate). You must cause us and any affiliates we designate to be named as additional insureds on any such policies. These insurance policies must and provide for 30 days’ prior written notice to us of a policy’s material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and our and their successors and assigns. You must routinely furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums. We may change our insurance requirements during the term of your Development Agent Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not maintain the insurance coverages that we require we may, but are not obligated to, obtain insurance coverage on your behalf. You must reimburse the premium costs that we incur, plus a 15% administrative fee.

Cooperatives

As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above.

Negotiated Prices

We or our affiliates may negotiate purchase arrangements, including prices and terms, with designated and approved suppliers for the DA Businesses.

Ownership of Suppliers

As of the date of this Disclosure Document, none of our officers own any beneficial or ownership interest in any designated suppliers other than us.

Revenues and Payments from Required Purchases

As of the issuance date of this Disclosure Document (i) we and our affiliates do not derive any revenue from sale or lease of goods and services to our development agents, and (ii) we and our affiliates do not derive any revenue, rebate, or other material consideration from third-parties based on purchases or leases by our development agents; however, we reserve the right to do so in future without any obligation to share such revenue or benefit with you.

Material Benefits

Except as disclosed above, we and our affiliates do not currently provide any material benefits to franchisees based on their use of designated or approved suppliers.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the development agent 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 Agreement	Disclosure Document Item
A. Site selection and acquisition/ lease	Not applicable	Item 11
B. Pre-opening purchases/leases	Section 8(d)	Item 8
C. Site development and other pre-opening requirements	Not applicable	Not applicable
D. Initial and ongoing training	Section 6	Items 6 and 11
E. Opening	Section 2(a)	Item 11
F. Fees	Section 2(b)(v), Section 3, Section 10(c)(viii), and Appendix A.	Items 1, 5 and
G. Compliance with standards and policies/operating manual	Section 5, Section 6(g), and Section 8	Items 8, 11, 14, and 16
H. Trademarks and proprietary information	Section 12 and Section 13	Items 13 and
I. Restrictions on products/services offered	Section 5 and Section 7	Items 8, 11, and 16
J. Warranty and customer service requirements	Section 7 and Section 8(a)-(b)	Not applicable
K. Territorial development and sales quotas	Section 1(b) and Section 4(b)	Item 12
L. Ongoing product/service purchases	Section 8(d) and Section 17(b)	Items 6 and 8
M. Maintenance, appearance and remodeling requirements	Not applicable	Items 11
N. Insurance	Section 17(b)	Items 6, 7, and 8
O. Advertising	Section 4(a) and Section 9	Items 6, 8, and 11
P. Indemnification	Section 17(a)	Item 6
Q. Owner's participation/ management/staffing	Section 1(c)(iv) and Section 8(c)	11 and
R. Records and Reports	Section 5(g), Section 8(e), Section 8(f), and Section 10(c)(vii)	11
S. Inspections and audits	Section 7(i) and Section 8(f)	6 and 11

Obligation	Section in Agreement	Disclosure Document Item
T. Transfer	Section 10 and Section 11	Items 6 and 17
U. Renewal	Section 2(b)	Items 6 and 17
V. Post-termination obligations	Section 16	Items 6 and 17
W. Non-Competition covenants	Section 14	Items 15 and 17
X. Dispute resolution	Section 20	Item 17
Y. Liquidated damages	Not applicable	Not applicable
Z. Guaranty	Section 1(c)(iii), Section 10(c)(iv), and Appendix B	Item 15

ITEM 10 **FINANCING**

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

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

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

Pre-Opening Obligations

Before you open your DA Business, we or our designee will provide you with the following:

1. Provide the Initial Franchisee Training and the Initial Development agent Training. These trainings are described later in this Item 11. (Development Agent Agreement Section 6)
2. Provide you with access to the Manual and/or our System Standards and the Documentation. (Development Agent Agreement Section 5)

Site Selection

We have no obligation to provide any site selection assistance to you. Your primary residence and your business office (which can be the same as your primary residence) must be located within your DA Territory unless otherwise approved by us. We do not require you to maintain a separate office premises in the DA Territory. We do not generally own the premises of the office that our Development agents maintain.

Time to Opening

Unless we otherwise approve, you may not open your DA Business until completion of the Initial Franchisee Training and the Initial Development agent Training by you and your owners, and we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment. We estimate that there will be an interval of 2-6 weeks between the signing of the Development Agent Agreement and the opening of your DA Business, depending on the availability of our trainers and your trainees and the approval of the Documentation by the state authorities, if required.

Post-Opening Obligations

During the operation of your DA Business we will provide you the following services:

1. With your assistance and cooperation, prepare, amend, register and/or file any franchise disclosure or other documents that are required by state regulatory agencies. (Development Agent Agreement Section 5(b))
2. Provide you with access to the Manual and/or our System Standards (Development Agent Agreement Section 5)
3. Refer to you all information that we obtain from Prospects who want to acquire Fantastic Sams® franchises in your DA Territory. (Development Agent Agreement Section 4(c))
4. Make reasonable efforts to provide you with copies of correspondence, reports and data provided to us by franchisees in your DA Territory if we determine it is useful to the operation of your DA Business and it is the type of information that franchisees provide to us under their Unit Franchise Agreements. (Development Agent Agreement Section 8(f)(iii))
5. We will compensate you for your services by paying you (i) 40% of the initial franchise fees paid to us under each Unit Franchise Agreement pursuant to your Development Agent Agreement, less any payments made by us to third parties for generating leads in your DA Territory, and (ii) 40% of the weekly franchise fee that we receive during the term of your Development Agent Agreement from franchisees that execute a Unit Franchise Agreement pursuant to your Development Agent Agreement. (Development Agent Agreement Section 3)

Advertising

We are not obligated to develop or conduct any advertising or promotional programs in your DA Territory or otherwise or spend any minimum amount in promoting the Fantastic Sams® brand in your DA Territory or otherwise; however, we reserve right to do so.

All your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. If required by the laws of your jurisdiction, all advertising and promotion relating to the solicitation of Prospects must be approved by the appropriate

regulatory authorities. You may only use advertising or promotional materials approved by us and the appropriate regulatory authority. You must not engage in business or advertising practice that may injure our business and/or the goodwill associated with the Marks and the Salons.

You must obtain our written approval of all advertising and promotional plans and materials before their use. You will submit all unapproved plans and materials to us. If you do not receive written approval within 30 days of our receipt of such materials, we will be deemed to have disapproved the materials. You will not use any materials that we have not developed or approved and will promptly discontinue the use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us. We will have the final decision on all creative development of advertising and promotional messages. You acknowledge that, in some states, franchise advertising materials are required to be registered prior to use. Where required, we will handle the filing of those materials that are approved for your use and will advise you when you are authorized to use them.

National Advertising Fund and Regional Advertising Fund: Under the Development Agent Agreement, we do not require you to make any contribution to our National Advertising Fund and Regional Advertising Fund.

Local Advertising: Under the Development Agent Agreement, we do not require you to incur any minimum local advertising expenditure to solicit Prospects in your DA Territory.

Advertising Cooperatives: There are no existing cooperatives that you must participate in; however, we may approve their formation in the future.

Advisory Council: There is no existing advisory council that advise us on marketing related matters; however, we may approve their formation in the future.

Websites; Intranet: Unless we consent otherwise in writing, you, your employees, and any third-party representatives or digital marketing agencies may not, directly or indirectly, conduct or be involved in any websites, social media accounts (such as Facebook®, TikTok®, Twitter®, Instagram®, Pinterest®, etc.), applications, keyword or adword purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network that use the Marks or that relate to the DA Business, the Salons, or the network. You may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet.

At our option, we or one or more of our designees may establish and maintain one or more our website or series of websites for the promotion of the DA Businesses, the Salons, the Marks, and the franchise opportunities related to the foregoing (the “**System Website**”).

We also may maintain one or more social media accounts (such as Facebook®, TikTok®, Twitter®, Instagram®, Pinterest®, etc.). You may not establish or maintain any social media accounts utilizing any usernames, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific usernames/handles that you must maintain. You will adhere to any social media policies that we establish from time to time and will require all of your employees to do so as well. Your use of

social media, including any pictures that may be posted on, using or through one or more social media sites, must follow the Manuals, including our then-current take-down policy.

We will own all intellectual property and other rights in the System Website, any mobile applications, any social media pages or accounts related to the Salons and DA Businesses, any related domain names or user names, and all information they contain (including the domain name or URL for such webpage, the log of “hits” by visitors, and any personal or business data that visitors supply), which shall all be part of our intellectual property.

Training

As soon as practical after the execution of your Development Agent Agreement, you (or, if you are an entity, each of your owners) must attend and complete to our satisfaction (i) the initial training that we provide to our Salon franchisees (i.e. the Salon Fundamentals Course and the New Owner Training (collectively, “**Initial Franchisee Training**”), and (ii) the initial training on the operation of an DA Business (“**Development Agent Training**”). The Development Agent Agreement does not prescribe a time frame within you must complete training; however (i) you must comply with the development schedule under the Development agent Agreement, and (ii) unless we otherwise approve, you may not open your DA Business until completion of the Initial Franchisee Training and the Initial Development agent Training by you and your owners, and we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment.

Neither you nor any of your owners, employees or agents will solicit Prospects until you have satisfactorily completed Development Agent Training programs.

We may also require any employees that provide training to Salon franchisees on your behalf to attend and successfully complete all or portions of Initial Franchisee Training, Development Agent Training, and any other training programs that we designate. We may require you to implement a training program for all your employees using training standards and procedures we prescribe.

You are responsible for the travelling cost, meals, lodging and other related expenses incurred by your Trainees while attending the Initial Franchisee Training and the Development agent Training. However, you may not incur these costs if we choose to provide such training virtually.

The Initial Franchisee Training and the Development agent Training will be offered at various times during the year as requested by our development agents and depending on the availability of our trainers. The Salon Fundamental Training and the New Owner Training will generally last between 3 and 7 days and the Development Agent Training will generally last between 3 and 5 days.

The following is the Initial Franchisee Training program currently in effect:

SALON FUNDAMENTALS COURSE

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to FS	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Intro to Building Successful Teams	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Intro to Brand & Field Marketing	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Intro to Business Intelligence	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Intro to Social & Digital Marketing	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Intro to Inventory Management	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Intro to Operational Excellence	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Total	14 – 28		

NEW OWNER ONBOARDING AGENDA⁽¹⁾

Subject	Hours of Classroom Training⁽²⁾	Hours of On-the-Job Training	Location⁽³⁾
FS Team, Support and Resources	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Products	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Finance	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Operations	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually

Subject	Hours of Classroom Training⁽²⁾	Hours of On-the-Job Training	Location⁽³⁾
Education	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Marketing	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Development	2 – 4	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Total	14 – 28	0	

The following is the Development agent Training program currently in effect:

DEVELOPMENT AGENT TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Sales	4-6 hours	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Development	4-6 hours	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Legal	4-6 hours	0	At our offices in Maple Grove, MN (or an alternative location) or virtually
Total	12-18 hours	0	

We may also require your owners, your managers, and other categories of employees that we designate to attend (and, in the case of training programs, successfully complete) any conferences or supplemental or refresher training programs that we choose to provide at locations that we designate, including our annual Fantastic Sams® conference and our annual training summit. We may charge you a reasonable registration fees for each individual that attends or participates in a program or conference.

The entire training program is subject to change due to updates in materials, methods, the Manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the individual needs and/or experience of those persons being trained. All training will be supervised by John Calabretto, our Vice President of Operations, who has 5 years of experience with us and our affiliates and 35 years of experience in the beauty industry.

Confidential Manual

Upon request, we will permit you to review the Manual for the Salons before you execute the Development Agent Agreement. Once you execute the Development Agent Agreement, we will grant you access to the Manual for the Salons.

Computer/Point of Sale System

You must obtain, maintain, and use the Technology System that we specify periodically in the Manuals. We currently require you to have a laptop that operates on a Windows 7 or higher operating system. The computer must have a high-speed modem that permits you to connect to the Internet and to transmit and receive e-mail. We currently require you to install Microsoft Office (to include Excel, Word and Outlook). You are responsible for obtaining the necessary training for proficiency in these programs. The laptop must have current and active antivirus software installed. A printer and plain-paper facsimile are also required.

Currently, you may obtain the Technology System from anyone you choose. In general, we estimate that the cost to obtain the Technology System will be approximately \$1,000 to \$2,500. We estimate that your annual cost to maintain Technology System will be in the range of \$250 to \$750.

You must replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Technology System requirements. We may require you to obtain certain components of, or upgrades to, the Technology System and maintenance and support services related to the Technology System from us or our affiliates, and we may charge you reasonable fees for such products and services. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require.

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades or updates to your Technology System. Currently, there are no optional or required maintenance/upgrade contracts for the Technology System.

You must use all reporting and accounting system(s) and program(s) we require from time to time. You must deliver financial and operating reports to us including via access to any internet accounting system that we establish. We have the right to independently access certain components of your Technology System to download data at all times, without any limitation.

ITEM 12

TERRITORY

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

You must operate your DA Business within your DA Territory. We identify your DA Territory, the DA Fee and the development schedule in the Development Agent Agreement before you sign it, and a map or description of your DA Territory will be attached to the Development agent Agreement.

The size and population of your DA Territory will be determined and agreed upon before you and we sign the Development agent Agreement. The DA Territory depend on a variety of factors, including “core customer base” as determined by us based on a myriad of factors, demographics, size, business climate and other factors which we deem applicable to your DA Territory under the Development agent Agreement. There is no specific minimum or maximum area or population that we must include in your DA Territory; however, typically, we account for population density of 35,000 to 75,000 people for development of each Salon. Therefore, if your development schedule requires you to develop 20 Salons, typically, the population in your DA Territory will be in the range of 700,000 to 1,500,000 people at the time of execution of your Development Agent Agreement. We will not change the size of your DA Territory due to fluctuation in population after the execution of the Development Agent Agreement.

We do not permit you to relocate the DA Territory.

You will not be offered any rights (including any rights of first refusal) to acquire addition development agent territories.

Territorial Rights and Reserved Rights

As long as you are in full compliance with all of the terms and conditions of the Development agent Agreement, we and our affiliates will not license a third party to operate an DA Business within your DA Territory. Except for this limited territorial protection, we and our affiliates have the right to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your DA Business without any obligation to pay any compensation to you. For example, without limitation, we and our affiliates have the right to:

1. solicit and recruit Prospects, including inside your DA Territory, subject to our obligation to pay you in accordance with the Development agent Agreement;
2. engage the services of franchise brokers, lead referral sources, and other organizations and facilities for the identification, evaluation, and referral of leads for Prospects (provided, however, we will refer to you such leads within your DA Territory);
3. establish and operate, or license to third parties the right to establish and operate, DA Businesses anywhere outside of your DA Territory;

4. establish and operate, or license to third parties the right to establish and operate, Salons anywhere, including inside and outside of your DA Territory;

5. establish and operate, or license to third parties the right to establish and operate, Salons anywhere, or businesses offering similar or identical products, services, classes, and programs and using the System or elements of the System under names, symbols, or marks other than the Marks anywhere, including inside and outside of your DA Territory;

6. develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Marks, and/or award franchises under such other concepts for locations anywhere;

7. provide services and support to Salons located anywhere, including inside and outside of your DA Territory, subject to any obligations we have under the Development Agent Agreement to pay you;

8. advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of your DA Territory;

9. manufacture, distribute, market, ship, sell and provide any products and services identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in your DA Territory any alternative distribution channels, including through catalogs, mail order, retail stores or kiosks, e-commerce, applications, online videos, recorded media, or broadcast media; and

10. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with units or operations located anywhere and, even if such businesses are located in your DA Territory, (a) convert the other businesses to the Fantastic Sams brand and Marks and allow them to operate as part of the System, (b) permit the other businesses to continue to operate under another name, and/or (c) permit the businesses to operate under another name and convert existing DA Businesses or Salons to such other name. You agree to participate at your expense in any such conversion as may be required by us and to waive any claims, demands or damages arising from or related to the loss of our name, the Marks (or any variation thereof) and the System and/or the loss of association with any Marks.

You may solicit and screen Prospects in your DA Territory only. Subject to the advertising requirements described in Item 11, you may provide the Sales Services through catalogs, mail order, retail stores or kiosks, electronic mail, applications.

If you are not in full compliance with all of the terms and conditions of the Development Agent Agreement, we may reduce the size of your DA Territory, eliminate your protected rights related to your DA Territory, terminate the Development Agent Agreement, or exercise other remedies outlined in the Development Agent Agreement. If we reduce the size of your DA Territory, (i) the restrictions on us and our affiliates described above will not apply in the geographic area that was removed from your DA Territory, (ii) your rights to provide franchise sales and support services in the geographic area that was removed from your DA Territory will

end, and (iii) we will have the right to assign such rights (including the right to receive related compensation) to ourselves or a third party.

Referral of Prospects

We will refer to you, as we deem appropriate, all information that we obtain from Prospects who want to operate Salons in your DA Territory. You will be responsible for: (i) completing the solicitation and background investigation on such Prospects; (ii) sending us all information you obtain from Prospects who want to operate outside your DA Territory; (iii) completing all character profiles and other procedures we direct from time to time. We may require you to use Technology System designated by us to complete the background check of such Prospects.

Internet

You may not advertise on the Internet or establish or maintain any Website or any presence on the Internet that in any manner uses the Marks without our prior written consent. You may use the Internet to advertise only in compliance with the Development Agent Agreement.


Territorial Restrictions



There are no territorial restrictions from accepting business from Prospects that reside or work or are otherwise based outside of your DA Territory if these Prospects contact you, but we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in the Manuals or otherwise in writing.

ITEM 13 TRADEMARKS

We grant you the non-exclusive right and obligation to use the Marks under the Development Agent Agreement. You must use the Marks as we require. You may not use any of the Marks as part of your firm or corporate name. 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 your Salon or any interest in the franchise.

The following table sets forth the status of registrations and applications with the U.S. Patent and Trademark Office (“USPTO”) for federal registration of our principal trademarks. All Marks are registered or have applications for registration pending on the Principal Register.

Proprietary Mark	Registration Number	Registration Date
	5,087,286	November 22, 2016

Proprietary Mark	Registration Number	Registration Date
	5,019,015	August 9, 2016
	4,924,190	March 22, 2016
FANTASTIC SAMS CUT & COLOR	4,924,189	March 22, 2016
FANTASTIC SAMS CUT AND COLOR	4,924,187	March 22, 2016

All required affidavits have been filed, and we intend to renew these registrations and file additionally required affidavits at the appropriate time. There are no effective material determinations of the USPTO, the Trademark Trial and Appeals Board, the Trademark Administrator of any state or any court in the United States concerning the Marks. There is no pending infringement, opposition, or cancellation action in the United States. There is no pending material litigation involving the Marks in the United States. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in a manner material to the franchise. We know of no superior prior rights or infringing uses of any Mark that could materially affect your use of the Marks in this or any other state.

You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You and your owners are not permitted to communicate with any person other than us, or any designated affiliate, our counsel and your counsel involving any infringement, challenge or claim. We may take action that we deem fit but are not obligated to do so. We have the right to exclusively control any litigation or USPTO or other administrative or agency proceeding caused by any infringement, challenge or claim or otherwise relating to any of the Marks. You must sign any and all documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or USPTO or other administrative or agency proceeding or to otherwise protect and maintain our interests and the interests of any other person or entity having an interest in the Marks. We are not required to participate in your defense or indemnify you for expenses or damages that you may incur if you are a party to an administrative or judicial proceeding involving your use of the Mark, or if the proceeding is resolved unfavorably to you.

Except as provided above, we are not obligated by the Development Agent Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We do not have any pending patent applications that are material to the franchise. We and/or our affiliates claim copyrights in the Manual (which contains our trade secrets), System Standards, handbooks, all websites, advertising and marketing materials, all or part of the Marks, and other portions of the System and other similar materials used in operating Salons. We have not registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating your DA Business (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the United States Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the Confidential Information (defined below) or copyrighted materials. We know of no infringing uses of our copyrights which could materially affect your using the copyrighted materials in any state. We need not protect or defend our copyrights, although we intend to do so if we determine that it is in the System's best interests. We may control any action involving the copyrights, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving a copyright.

During the term of your Development Agent Agreement, we or our affiliates may disclose in confidence to you, either orally or in writing, certain information, processes, methods, techniques, procedures and knowledge, including know-how (which includes information that is secret and substantial), the Manuals and trade secrets (whether or not judicially recognized as a trade secret), developed or to be developed by us, our predecessor, or our or its affiliates relating directly or indirectly to the development or operation of the DA Business and the Salons (the "**Confidential Information**"). You may disclose the Confidential Information to your owners and employees only to the extent reasonably necessary for the operation of the DA Business. You may not use the Confidential Information in any other business or capacity; must maintain the absolute secrecy and confidentiality of the Confidential Information; must not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible or intangible form; and must adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information, including, without limitation, requiring employees who will have access to such information to execute confidentiality agreements in a form periodically prescribed by us.

We may require that any employee, agent or independent contractor that you hire execute a non-disclosure and non-competition agreement to protect the Confidential Information. We may regulate the form of nondisclosure and non-competition agreement that you use and to be a third-party beneficiary of those agreements with independent enforcement right. You will be solely responsible for obtaining your own professional advice with respect to the adequacy of the terms

and provisions of any confidentiality and non-compete agreement that your employees, agents and independent contractors sign.

We are the sole owner of all right, title, and interest in and to the System and any Confidential Information. All improvements, developments, derivative works, enhancements, or modifications to the System and any Confidential Information (collectively, “Innovations”) made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, will be owned solely by us. You will assign all right, title and interest in and to such Innovations to us. To that end, you will execute, verify, and deliver such documents (including, without limitation, assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof.

If we require you to discontinue or modify your use of any subject matter covered by patent or copyright, we are not obligated to compensate you, protect any rights granted to you to use the subject matter, or to protect you against claims with respect to them.

ITEM 15

OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must at all times faithfully, honestly and diligently perform your obligations under the Development Agent Agreement, continuously exert your best efforts to promote and enhance your DA Business and not engage in any other business or activity that may result in a conflict of interest between your obligations as our Development agent and your Support Services.

The DA Business must at all times be under your or your owners’ direct supervision.

We also require each of your direct and indirect to personally guarantee your obligations to us under the Development Agent Agreement, and we may also require such person’s spouse to enter into the Owner’s Guaranty as well. The guarantees will be in the form of the Owner’s Guaranty attached as Appendix B to the Development Agent Agreement which is attached as Exhibit B to this Disclosure Document.

We have the right to require you to obtain covenants against the use and disclosure of any confidential information and covenants not to compete from your owners (and any member of their immediate families or households), officers, directors, executives, managers or members of the professional staff and employees of your DA Business who have received or will have access to our training or confidential information. This nondisclosure and noncompetition agreement will prohibit them from directly or indirectly engaging in activities that compete with the operations of your DA Business or any Salon, disclosing our confidential and proprietary information and trade secrets, and soliciting our employees and employees of other Development agents or Franchisees. If the individual is your manager or employee, then we will be a third party beneficiary with the right to enforce the covenants contained in such agreements.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

In conducting your DA Business, you will not be selling any products or services. You may only provide franchise sales and support services on our behalf in the manner set forth in your Development Agent Agreement. In soliciting Prospects, you must follow, and not deviate from, our standards and specifications without first obtaining our written consent.

Our System Standards allow us to regulate the sales and marketing activities you engage in and the services your DA Business is required or authorized to offer. We may periodically modify the System Standards which may require you to invest additional capital in your DA Business and/or incur higher operating costs.

Neither you nor any of your employees or representatives may solicit Prospects until we have registered our then-current franchise disclosure document in applicable jurisdictions and have provided you with the requisite Documentation, or at any time when we notify you that our registration is not then in effect or our documents are not then in compliance with applicable law. We and our affiliates and designees are not liable to you for any errors, omissions, or delays which occur in the preparation of such materials. You may not use the services of any third-party sales brokers unless we have a prior contractual relationship with such brokers and we grant you our prior approval to use such brokers.

The franchise support services may include any or all the support services that we are obligated to perform (as franchisor) under each Unit Franchise Agreement that is executed for a Salon pursuant to your Development Agent Agreement. We may elect at any time to perform any of the franchise support services ourselves (subject to your right to receive compensation). You do not have the authority to execute any Unit Franchise Agreement or any other document on our behalf.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the development agent and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Development Agent Agreement	Summary
a. Length of the franchise term	Section 2(a)	The “ Agreement Term ” is 10 years. Encompassed within the Agreement Term is a “ Development Term ” commences on the effective date of the MUDA and expires on the 5th anniversary of the effective date.

Provision	Section in Development Agent Agreement	Summary
b. Renewal or extension of the term	Section 2(b)	You may acquire 1 successor Development Term if you meet the requirements described in (c) below. If you do so, the Agreement Term will be extended by another 5 years.
c. Requirements for franchisee to renew or extend	Section 2(b)	We will grant you a successor Development Term if (i) you and your owners are in compliance with all other agreements with us or our affiliates; (ii) you agree to our redefinition of the DA Territory; (iii) you and we agree to a new development schedule for the successor Development Term; (iv) you pay us the successor development term fee; (v) you have provided us all information that we reasonably request; and (vi) sign our then-current form of Development Agent Agreement the terms of which may differ from the terms of Development Agent Agreement attached to this Disclosure Document.
d. Termination by franchisee	Section 15(a)	Not Applicable
e. Termination by franchisor without cause	None	Not Applicable
f. Termination by franchisor with “cause”	Section 15(b)	We can terminate only if you default or if certain events (described in (g) and (h) below) occur. In some instances, you will have an opportunity to cure the default.
g. “Cause” defined – curable defaults	Section 15(b)	You have 5 days to cure the non-payment of any amounts owed to us or omitted reports; 5 days to procure required insurance; 30 days to pay outstanding amount to suppliers; 60 days to vacate any attachment seizure, or foreclosure of the DA Business or assets thereof by your creditors or lender; and 30 days to cure a failure to comply with any other provision of the Development Agent Agreement not described above or in (h) below.
h. “Cause” defined – non- curable defaults	Section 15(b)	Non-curable defaults include, among others, you (or your owners): (i) make misrepresentations or omissions to us; (ii) fail to satisfactorily complete any required training; (iii) fail to comply with your development obligation; (iv) fail to meet deadlines in the development schedule; (v) abandon or fail to operate the business; (vi) make an unauthorized transfer; (vii) are convicted of a crime, plead guilty to any crime, or engage in activities that will have an adverse effect on the Marks; (ix) misappropriate Confidential Information; (x) fail to comply with restrictive covenants; (xi) violate any laws and fail to correct noncompliance; (xii) are restricted from selling franchises; (xiii) make unauthorized financial performance representations; (xiv) impossible or impractical to sell franchises; (xv) give preferential treatment to any Salon franchisee or Prospect; (xvi) solicit or accept rebates or benefits from a vendor; (xvii) have 25% or more of the Salons in your DA Territory that are not compliant with System Standards; (xviii) fail to attend 3 or more required

Provision	Section in Development Agent Agreement	Summary
		meetings, trade shows and/or conventions during any 36-month period; (xix) allow a Salon franchisee to sign a lease without our approval; (xx) failure to consistently communicate with us or the Salon franchisee in your DA Territory and to provide copies of all correspondence for our files; (xxi) make any changes to the Documentation; (xxii) fail to pay taxes when due; (xxiii) commit three defaults within any 12 months; (xxiv) repeatedly fail to timely pay vendors or default under material agreement; (xxv) make any changes, additions to or deletions from our current form of franchise agreement and any ancillary documents; (xxvi) commit a breach under any franchise agreement or other agreement with us or our affiliates and do not cure such breach within the applicable cure period, regardless of whether we in fact terminate such franchise or other agreement; or (xxvii) you become insolvent or are involved in bankruptcy proceedings.
i. Franchisee's obligations on termination/non-renewal	Section 16	Obligations include, among others: you must cease operating the DA Business; cease using the Marks and System; completely de-identify the business; cancel or transfer telephone number, post office boxes, domain names, social media accounts, and directory listings; pay all amounts due to us or our affiliates; return all the Manuals and software and other proprietary materials; and comply with confidentiality requirements and post-term restrictive covenants.
j. Assignment of contract by franchisor	Section 10(a)	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 10(b)	Includes transfer of the Development Agent Agreement, any interest in the Development Agent Agreement, the license to use the System and the Marks, the DA Business or substantially all of the assets of the DA Business, or an interest in the ownership in you (if you are an entity).
l. Franchisor approval of transfer by franchisee	Section 10(b)	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 10(c)	Conditions include, among others: you must pay all amounts due us or our affiliates, not otherwise be in default, submit all required reports, sign a general release, pay a transfer fee, provide us all loan and financing documents, and comply with post-term obligations. Transferee must meet our criteria, assume all obligations, pay an acceptable purchase price, attend training, and sign our then-current form of the Development Agent Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 10(d)	If you receive any proposal or offer to purchase your DA Business, we may within 30 days from our receipt of your notice of intent to transfer and such documentation and information that we require exercise the right to purchase

Provision	Section in Development Agent Agreement	Summary
		the interest proposed to be transferred on the same economic terms and conditions offered by the third-party or, at our option, the cash equivalent thereof. If you and we cannot agree on the reasonable equivalent in cash or if the transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. Closing on our purchase must occur within 90 days after the date of our notice to the seller electing to purchase the interest. We may assign our right of first refusal to another entity or person either before or after we exercise it. If we do not exercise our right of first refusal you may complete the transfer.
o. Franchisor's option	to purchase franchisee's business	Not applicable
p. Death or disability of franchisee	Section 11	Upon death or disability, your (or your owner's) interest must be transferred to someone approved by us within a reasonable time (not to exceed 6 months). Such transfers are subject to the same terms and conditions as inter vivos transfers.
q. Non-competition covenants during the term of the franchise	Sections 12 (h) and 14(b)	<p>You and your owners may not, directly or indirectly: (i) have any interest as a disclosed or beneficial owner in any Competitive Business; (ii) interfere in our relationship our other Development agents, Salon owners; (iii) divert, or attempt to divert, any business or customer of the DA Business or the Salons to any competitor; or (iv) do or perform any act injurious or prejudicial to the goodwill associated with the Marks and the System. The foregoing is subject to the applicable state laws.</p> <p>"Competitive Business" means any business that requires you to act as a broker or sales or development agent of any business that grants franchises or licenses for development for businesses similar to the Salons, including a hair care service business which offers and sells the same or substantially similar haircare products that are sold at the Salons.</p>
r. Non-competition covenants after the franchise is terminated or expires	Sections 12 (h) and Section 14(c)	For a period of two years after the termination, expiration, or transfer of your Development Agent Agreement, you and your owners must not (i) directly, or indirectly, have any interest whatsoever in a Competitive Business located or operating within (i) your DA Territory, (ii) 5 mile radius of the DA Territory, or (iii) 2.5-mile radius of any Salon. For a period of two years after the termination, expiration, or transfer of your Development Agent Agreement, you and your owners must not (i) interfere in our relationship our other development agents, Salon owners, our vendors or suppliers; (ii) provide or market any products or services to our development agents or franchisees; or (iii) do or perform any act injurious or

Provision	Section in Development Agent Agreement	Summary
		prejudicial to the goodwill associated with the Marks and the System. The foregoing is subject to the applicable state laws.
s. Modification of the agreement	Section 18(b)	The Development Agent Agreement may not be modified unless mutually agreed to in writing, except we may unilaterally reduce the size of your territorial rights if you are in default. However, we may unilaterally modify the System Standards. The foregoing is subject to the applicable state law.
t. Integration/merger clause	Section 18(a)	Only the terms of the Development Agent Agreement, other related written agreements, and Manuals are binding (subject to state law). Any representations or promises outside of this Disclosure Document and Development Agent Agreement may not be enforceable (subject to the applicable state law).
u. Dispute resolution by arbitration or mediation	Section 20	Except for actions brought by us for injunctive or extraordinary relief, all disputes must be arbitrated in Wilmington, Delaware, subject to the applicable state law.
v. Choice of forum	Section 20(a) and (e)	The state or federal courts of Wilmington, Delaware, subject to state law.
w. Choice of law	Section 20(f)	The laws of the State of Delaware (subject to the applicable state law).

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit G.

ITEM 18

PUBLIC FIGURES

We do not use any public figure 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 the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing, other

than as set forth in this Item 19. 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 Legal Department at 6901 East Fish Lake Road, #170, Maple Grove, MN 55369, Tel. 978-232-5600, the Federal Trade Commission, and the appropriate state regulatory agencies, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1 Systemwide Outlet Summary
For Years 2021, 2022, 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	4	+4
	2023	4	4	0
Company-Owned ²	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	0	0	0
	2022	0	4	+4
	2023	4	4	0

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

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets For Years 2021, 2022, 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Minnesota	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania ⁽¹⁾	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	4	0	0	0	0	4
	2023	4	1	1	0	0	0	4

(1) One franchisee has territory in Pennsylvania and New Jersey

Table No. 4
Status of Company-Owned Outlets For Years 2021, 2022, 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
All States	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. 5
Projected Openings Through Fiscal Year 2024

States	Development Agent 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
	0	0	0
TOTAL	0	0	0

Notes to Tables 1 to 5:

1. Unless otherwise indicated, all figures in all Tables of this Item 20 are as of December 31 of each year, which is when our fiscal year ends.

2. This Disclosure Document reflects our initial offering of the development agent franchises. All reference to “outlets” in the tables above mean the DA Businesses.

If you buy this franchise, your contact information will be disclosed in Exhibit C to other Prospects.

There are no franchise-specific franchisee organizations associated with this System that have asked to be disclosed in this Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit D are our audited financial statements for the fiscal years ended December 31, 2023, December 31, 2022 and December 31, 2021. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- | | | |
|----|---|------------------|
| 1. | Development Agent Agreement | <u>Exhibit B</u> |
| 2. | Form of General Release | <u>Exhibit E</u> |
| 3. | Representations and Acknowledgement Statement | <u>Exhibit F</u> |
| 4. | State Specific Addenda/Riders | <u>Exhibit G</u> |

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document area annexed as Exhibit H. Please return one signed copy to us and retain the other for your records.

Exhibit A: List of State Agencies/Agents for Service of Process

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all of the following States, in accordance with the applicable state law. If and when we pursue franchise registration or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Department of Financial Protection & Innovation: <i>Los Angeles</i> 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677 <i>Sacramento</i> 2101 Arena Boulevard Sacramento, California 95834 (916) 445-7205 <i>San Diego</i> 1455 Frazee Road, Suite 315 San Diego, California 92108 (619) 610-2093 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, California 94104 (415) 972-8559	NEW YORK (state administrator) Office of the New York State Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236 Phone (212) 416-6042 Fax (agent for service of process) Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
HAWAII (state administrator) Business Registration Division Securities Compliance Branch Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2727	NORTH DAKOTA North Dakota Securities Department Securities Commissioner (Agent) 600 East Boulevard Avenue State Capitol – 14th Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9645

<p>INDIANA (state administrator)</p> <p>Indiana Secretary of State 302 West Washington Street Securities Division, E-111 Indianapolis, Indiana 46204 (317) 232-6681</p> <p>(agent for service of process)</p> <p>Indiana Secretary of State 200 West Washington Street, Room 201 Indianapolis, Indiana 46204 (317) 232-6531</p>	<p>SOUTH DAKOTA</p> <p>Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>
<p>MARYLAND (state administrator)</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6300</p>	<p>VIRGINIA</p> <p>Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p>MICHIGAN (state administrator)</p> <p>Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section G. Mennen Williams Building 525 West Ottawa Street Lansing, Michigan 48909 (517) 335-7622</p> <p>(agent for service of process)</p> <p>Michigan Department of Commerce, Corporations, Securities & Commercial Licensing Bureau P.O. Box 30018 Lansing, Michigan 48909</p>	<p>WASHINGTON (state administrator)</p> <p>Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760</p> <p>(agent for service of process)</p> <p>Director Department of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, Washington 98501</p>
<p>MINNESOTA (state administrator)</p> <p>Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p> <p>(agent for service of process)</p> <p>Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>	<p>WISCONSIN (state administrator)</p> <p>Securities and Franchise Registration Wisconsin Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-0448</p> <p>(agent for service of process)</p> <p>Office of the Secretary Wisconsin Department of Financial Institutions P.O. Box 8861 Madison, Wisconsin 53708-8861 (608) 261-9555</p>

Exhibit B:

DEVELOPMENT AGENT AGREEMENT

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. GRANT OF FRANCHISE	2
(a) Rights Granted	2
(b) Limited Territorial Protection	2
(c) Entity	3
2. AGREEMENT AND DEVELOPMENT TERMS	3
(a) Term	3
(b) Successor Development Term	3
(c) Grant of a Successor Development Term	4
(d) Agreements / Releases	4
3. FEES AND COMMISSION	5
(a) Development Agent Fee	5
(b) Your Commission	5
(c) Interest on Delinquent Payments; Late Fees	5
4. FRANCHISE DEVELOPMENT	6
(a) Active Promotion and Solicitation	6
(b) Development Schedule	6
(c) Referrals of Prospects	6
5. DISCLOSURE AND REGISTRATION	6
(a) Franchise Documentation	6
(b) Registration	6
(c) Delays	6
(d) Information Requirements	7
(e) Broker Registration	7
(f) Franchise Sales Compliance	7
(g) Application Process	8
(h) Method of Approval	8
6. TRAINING	8
(a) Initial Franchisee Training	8
(b) Development Agent Training	8
(c) Educator and Training Center	9
(d) Supplemental Training and Conferences	9
(e) Online Training	9
(f) Travel and Living Expenses	9
(g) Manuals	9
7. SERVICE OBLIGATIONS	9
8. OPERATION OF THE DA BUSINESS	12
(a) Standards of Service	12
(b) Strict Conformance	13

(c)	Management and Personnel	13
(d)	Technology System.....	13
(e)	Books and Records	14
(f)	Reporting.....	14
(g)	Judicial Actions.....	15
(h)	Ancillary Activities	15
(i)	Taxes	15
(j)	Notices	15
9.	MARKETING RELATED TO SALES SERVICES.....	16
(a)	Your Advertising Requirements	16
(b)	Approval of Advertising Materials	16
(c)	Digital Marketing.....	16
10.	TRANSFER	17
(a)	Transfer by Us.....	17
(b)	Transfer by You	17
(c)	Transfer Conditions	18
(d)	Our Right of First Refusal.....	19
11.	DEATH OR DISABILITY	20
(a)	Transfer Upon Death or Disability	20
12.	INTELLECTUAL PROPERTY.	20
(a)	Marks and Trade Dress	20
(b)	Copyrights.....	21
(c)	No Contesting Our Rights.....	21
(d)	Changes to the Intellectual Property	21
(e)	Third-Party Challenges	21
(f)	Innovations.....	21
(g)	Post-Termination or Expiration	21
(h)	Non-Disparagement	22
13.	CONFIDENTIAL INFORMATION.	22
(a)	Confidentiality of Trade Secrets and Other Confidential Information	22
(b)	Personal Information.....	23
(c)	Nondisclosure and Noncompetition Agreements with Certain Individuals	24
14.	NON-COMPETE.....	24
(a)	Acknowledgement	24
(b)	During Agreement Term.....	24
(c)	After Termination, Expiration, or Transfer.....	25
(d)	Publicly Traded Corporations.....	25
(e)	Enforcement of Covenants.....	25
15.	TERMINATION OF AGREEMENT.	25
(a)	Termination by Us	25
(b)	Our Remedies After an Event of Default.....	28

16.	EFFECT OF TERMINATION OR EXPIRATION OF THIS AGREEMENT.....	29
(a)	Payment of Amounts Owed.....	29
(b)	Cease Identification with Us.....	29
(c)	Confidential Information.....	30
(d)	Competitive Restrictions.....	30
(e)	Injunctive and Other Relief.....	30
(f)	Continuing Obligations.....	30
17.	INDEMNIFICATION AND INSURANCE.....	30
(a)	Indemnification.....	30
(b)	Insurance.....	32
18.	AGREEMENT AND INTERPRETATION.....	32
(a)	Entire Agreement.....	32
(b)	Amendment.....	32
(c)	Severability.....	32
(d)	Waiver of Obligations.....	33
(e)	Construction.....	33
(f)	Additional Terms; Inconsistent Terms.....	33
19.	INDEPENDENT CONTRACTOR.....	34
20.	DISPUTE RESOLUTION.....	34
(a)	Arbitration.....	34
(b)	Conduct of Arbitration.....	34
(c)	Individual Actions.....	34
(d)	Relief.....	35
(e)	Right to Injunctive Relief.....	35
(f)	Governing Law.....	35
(g)	Waiver of Jury Trial.....	35
(h)	Waiver of Punitive Damages.....	35
(i)	Limitations of Claims.....	36
(j)	Costs and Attorneys' Fees.....	36
(k)	Cumulative Rights.....	36
21.	MISCELLANEOUS.....	36
(a)	No Third-Party Beneficiaries.....	36
(b)	No Liability.....	36
(c)	Consent.....	36
(d)	Notices and Payments.....	37
(e)	Time.....	37
(f)	Binding Effect.....	37
(g)	Varying Standards.....	37
(h)	Exercise of Our Business Judgment.....	37
22.	REPRESENTATIONS AND ACKNOWLEDGEMENTS.....	38
(a)	Acknowledgments.....	38

(b)	Representations	38
(c)	Terrorist Acts	39
(d)	No Warranties	39
	[<i>Signature page follows</i>]	

APPENDICES

- A: Development Agent Specific Terms
- B: Guaranty of Performance

DEVELOPMENT AGENT AGREEMENT

THIS DEVELOPMENT AGENT AGREEMENT (“**Agreement**”) is made as of the date set forth on Appendix A of this Agreement as the Effective Date by and between **FANTASTIC SAMS FRANCHISE CORPORATION**, a Delaware corporation having its principal place of business at 6901 East Fish Lake Road, #170, Maple Grove, MN 55369 (“**us**”), and the person or Entity identified on the signature page of this Agreement as the Development Agent (“**you**”).

A. We and our Affiliates (as defined in Section 18(e)) have developed valuable and proprietary business formats and systems (collectively, the “**System**”) for developing, operating, selling, and supporting salons that operate under the Marks and that offer, among other things that we prescribe from time-to-time, a full range of haircare products and services to men, women and children (“**Salons**”).

B. The distinguishing characteristics of the System include, but are not limited to, our Salon and business designs, layouts, and identification schemes (collectively, the “**Trade Dress**”); our specifications for equipment and inventory; our website or series of websites for the promotion of the Salons (the “**System Website**”); our relationships with vendors; our software and computer programs; the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals for the operation of Salons and Development Agent businesses (“**Manuals**”) and otherwise in writing. We may change, improve, add to, further develop or discontinue any of the elements of the System from time to time.

C. We identify businesses operating under the System by means of the “Fantastic Sams®” trademark and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos that we specify from time to time (collectively, the “**Marks**”).

D. We have developed a franchise program in which we offer, in our sole discretion, qualified third parties (“**Franchisees**”) the opportunity to enter into a franchise agreement (including all related exhibits, riders, addenda, amendments and guarantees) with us (“**Franchise Agreement**”) in which we grant the Franchisee the right to establish and operate a Franchised Salon using the Marks and the System (a “**Franchise**”).

E. The Salons operating under the System and the Marks include (i) Salons owned and operated by us or our Affiliates (“**Company-Owned Salons**”), (ii) Salons owned and operated by third-party franchisees pursuant to a Franchise Agreement with us (“**Franchised Salons**”), and (iii) Salons owned and operated by third-party franchisees pursuant to a franchise agreement with our subfranchisors (“**Sub-Franchised Salons**”).

F. We also offer to qualified persons, who as of the Effective Date own and operate at least one (1) Franchised Salon, the right to operate an Fantastic Sams® Development Agent business (the “**DA Business**”) in which the Development Agent is licensed to act as our representative in recruiting and screening prospective Franchisees (“**Prospects**”) and in providing certain support and services to our Franchisees. You have requested that we grant you the right to operate an DA Business, and we are willing to do so on the terms and conditions of this Agreement.

IN CONSIDERATION of the covenants and agreements contained herein, and for other good and valuable consideration, receipt and sufficiency of which are acknowledged, you and we agree as follows:

1. **GRANT OF FRANCHISE.**

(a) **Rights Granted.** On the terms and conditions of this Agreement, we grant to you a license (the “**License**”) to operate an DA Business as described in this Agreement, solely within the Territory designated on Appendix A hereto (the “**Development Agent Rights**”). The Development Agent Rights include the right to use the Marks and System solely as set forth herein. You acknowledge and agree that the Development Agent Rights do not include the right to: (i) develop, own or operate a Franchised Salon, (ii) enter into Franchise Agreements or sublicense the Marks or the System to any other person or entity, (iii) use the Marks or the System for any purpose or in any manner other than as expressly described herein, or (iv) to use the Marks or the System in any wholesale, e-commerce, or other channel of distribution. You hereby accept the License and agree to operate the DA Business according to the provisions of this Agreement for the entire Agreement Term (as defined in Section 2(a)).

(b) **Limited Territorial Protection.** Except as provided in this Section 1(b) and Section 2(d) below, as long as you are in compliance with this Agreement, we and our Affiliates will not license anyone else party to operate an DA Business within your Territory during the Development Term. We reserve all rights not expressly granted to you in this Agreement, the right to do all things that we do not expressly agree in this Agreement not to do, and the right to conduct any business activities, under any name or trademark, in any geographic area, and at any location, regardless of the proximity to or effect on your DA Business and without compensation to you (unless expressly provided otherwise), including the following:

(i) solicit and recruit Prospects, including inside the Territory, subject to our obligation to pay you in accordance with this Agreement;

(ii) engage the services of franchise brokers, lead referral sources, and other organizations and facilities (collectively, “**Brokers**”) for the identification, evaluation, and referral of leads for Prospects (provided, however, we will refer to you such leads for Prospects within your Territory);

(iii) establish and operate, or license to third parties the right to establish and operate, DA Businesses anywhere outside of the Territory;

(iv) establish and operate, or license to third parties the right to establish and operate, Salons anywhere, including inside and outside of the Territory;

(v) establish and operate, or license to third parties the right to establish and operate, Salons anywhere, or businesses offering similar or identical products, services, classes, and programs and using the System or elements of the System under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Territory;

(vi) develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Marks, and/or award franchises under such other concepts for locations anywhere;

(vii) provide services and support to Salons located anywhere, including to Franchisees located inside the Territory, subject to any obligations we have under this Agreement to pay you;

(viii) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory;

(ix) manufacture, distribute, market, ship, sell and provide any products and services identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in the Territory through any alternative distribution channels, including through catalogs, mail order, retail stores or kiosks, e-commerce, applications, online videos, recorded media, or broadcast media; and

(x) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with units or operations located anywhere and, even if such businesses are located in the Territory, (a) convert the other businesses to the Salon and allow them to operate as part of the System, (b) permit the other businesses to continue to operate under another name, and/or (c) permit the businesses to operate under another name and convert existing DA Businesses or Salons to such other name. You agree to participate at your expense in any such conversion as may be required by us and to waive any claims, demands or damages arising from or related to the loss of our name, the Marks (or any variation thereof) and the System and/or the loss of association with any Marks.

(c) Entity. If you are corporation, limited liability company, partnership, or other form of entity (an “**Entity**”), you agree and represent that:

(i) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(ii) Appendix A completely and accurately describes all holders of all direct and indirect Ownership Interests in you (the “**Owners**”);

(iii) We reserve the right to require each of your Owners to sign and deliver to us our standard form of Owner’s Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. At our option, we may require the spouses of such Owners to also sign the Owner’s Guaranty. A copy of our current form of Owner’s Guaranty is attached as Appendix B; and

(iv) at our request, you will provide us true and correct copies of your formation and governing documents.

2. **AGREEMENT AND DEVELOPMENT TERMS.**

(a) Term. This Agreement commences on its Effective Date and will continue until the 10th anniversary thereof, unless terminated, renewed or extended sooner in accordance with this Agreement (the “**Agreement Term**”). Encompassed within the Agreement Term is a “**Development Term**” which consists of the period beginning on the Effective Date and ending on the 5th anniversary of the Effective Date.

(b) Successor Development Term. Upon the expiration of the Development Term, subject to the terms and conditions set forth in Sections 2(c) (Grant of a Successor Development Term) and 2(d) (Agreements / Releases), you will have the right to acquire one (1) successor Development Term (a “**Successor Development Term**”) of a length equal to the expiring Development Term. If you do not qualify for, or elect not to obtain, a Successor Development Term, the Agreement Term will expire as provided in Section 2(a) above, and your right to provide the Support Services will continue for the remainder of the Agreement Term, but (i) only with respect to those Franchise Agreements that have been fully executed as of the expiration of the Development Term, and (ii) the limited territorial protection provided under Section 1(b) above will no longer apply. If, however, you obtain a Successor Development Term, as described in this Section 2(b), the Agreement Term under the successor development agent agreement (as described in Section 2(d)) will expire on the 15th anniversary of the expiration of the Effective Date. You may acquire a successor Development Term, if:

(i) we are then still offering franchises for the Development Agent Rights in the United States;

(ii) you (and each of your Owners) are then in full compliance with this Agreement and all other agreements between you and us or our Affiliates and have been in substantial compliance with this Agreement and all other agreements between you and us or our Affiliates throughout the expiring Development Term;

(iii) you agree to any modification that we may propose to the Territory, which may be smaller or larger than the original Territory and will apply during the term of the Successor Development Term;

(iv) you and we agree to a new Development Schedule for the Successor Development Term (the “**Successor Development Schedule**”);

(v) you pay us a fee equal to \$1,000 multiplied by the number of additional Salons you agree to develop during the Successor Development Term, as indicated on the Successor Development Schedule; and

(vi) you have completed and sent us the forms and other information we then require and demonstrate to our satisfaction that you meet our then-current financial and operational criteria for new DA Business franchisees.

(c) Grant of a Successor Development Term. You must give us written notice of your election to acquire a Successor Development Term at least six (6) months prior to the expiration of the Development Term. We may require you to provide certain financial information relating

to you, your Owners and the DA Business's operation, and pay us the Successor Development Term fee, along with your notice. If you fail to give us your notice by the required deadline (together with the Successor Development Term fee), we will interpret that to be your election not to acquire a Successor Development Term, and we will take action in reliance on that election. Within 90 days after our receipt of your notice (together with the Successor Development Term fee), we will give you written notice: (i) of our determination whether or not we will grant you a Successor Development Term (and, if applicable, stating the reasons for a refusal to grant you a Successor Development Term); (ii) advising you of any deficiencies which must be corrected by you before we will grant you a Successor Development Term, stating what actions you must take to correct the deficiencies and specifying the time period in which such deficiencies must be corrected; and/or (iii) advising you of any changes which we intend to make to your Territory during the Successor Development Term, as set forth in Section 2(d) (Agreements / Releases).

(d) Agreements / Releases. To obtain a Successor Development Term, you and your Owners must execute and return to us the form of development agent agreement and ancillary agreements we are then using in connection with the grant of licenses for Development Agent businesses, which may differ materially from this Agreement (including the Territory definition, territorial rights and fees); provided, however, that (i) we will not charge you an initial DA Fee, (ii) the Successor Development Term will be equal to the length of the expiring Development Term, and (iii) you will have no further renewal or extension rights. During the Successor Development Term, the limited territorial protection provided under Section 1(b) above will continue to apply. As a further condition to the grant of a Successor Development Term, you and your Owners must also execute and deliver to us, to the extent permitted by Applicable Laws (defined below), general releases, in a form prescribed by us, of any and all claims against us and our Affiliates, and our and their respective owners, officers, directors, employees, agents, successors and assigns. Failure to sign and deliver to us all such agreements and releases within 30 days after delivery thereof to you or, if earlier, the expiration of the Development Term, will be deemed an election by you not to obtain a Successor Development Term.

3. **FEES AND COMMISSION.**

(a) Development Agent Fee. In consideration for our grant of the Development Agent Rights, Simultaneous with your signing and delivery of this Agreement, you must pay us in lump sum a Development Agent Fee as set forth on Appendix A (the "**DA Fee**"). The DA Fee is paid in consideration of the rights granted in Section 1(a) (Rights Granted) and will be deemed fully earned at the time paid. You acknowledge that we have no obligation to refund the DA Fee, in whole or in part, for any reason.

(b) Your Commission. During the Agreement Term, we will pay the following compensation to you based on the amounts we receive from Franchised Salons in the Territory (collectively, "**Commission**"):

(i) Initial Franchise Fees. In consideration of the Sales Services (defined below), we will pay you an amount equal to 40% of the initial franchise fee (as described in the applicable Franchise Agreement) paid to us for all Franchised Salons that are developed in the Territory during the Development Term. You will not receive any Commission under this paragraph for Franchise Agreements executed prior to the Effective

Date. To the extent we refund any or all of the initial franchise fee paid to us, you must reimburse us the Commission we paid to you pertaining to it. Also, to the extent that we pay compensation to any Brokers to generate qualified prospects that we either compensate on a per-lead basis or per-lead qualified Prospect or franchise-sale basis, we will reduce your Commission by the amount of compensation we pay to such source.

(ii) Weekly Franchise Fee. In consideration of the Support Services (defined below), during the Agreement Term, we will pay you an amount equal to 40% of the weekly franchise fee (as described in the applicable Franchise Agreement) received by us from the Franchised Salons in the Territory. To the extent we refund any or all of the weekly franchise fee paid to us, you must reimburse us the Commission we paid to you pertaining to it.

(iii) Terms of Payment. We will pay such amounts to you on or before the 15th day of each month the “**Payment Date**”) based on the Franchised Salons and on the amount of weekly franchise fee and initial franchise fees we collect from Franchisees of such Franchised Salons during the immediately preceding calendar month.

(iv) Setoffs. We may set off against any Commission we owe you, any amount that you owe us, including (without limitation) for any refunds we authorize (whether or not required by contract (i.e., a refunded initial franchise fee)), any advances and marketing contributions. You shall not setoff any amounts owed to us under any circumstances.

(c) Interest on Delinquent Payments; Late Fees. If any amounts you owe us or our Affiliates are not paid when due, you must pay us interest on the amount owed at the rate of 18% per annum or the highest rate permitted by Applicable Laws, whichever is less, calculated from the date such payment was due until it is received by us. In addition, you must pay us a late fee of \$25 for each week (or portion thereof) that any report or item is not timely received. Payment of interest or a late fee does not constitute a cure of the default of your underlying obligations.

(d) Noncompliance Fee. If (i) we notify you of a failure to comply with any mandatory System Standards and you fail to correct such non-compliance within the period of time that we require, then, in addition to any other remedies available to us under this Agreement (including, without limitation, termination of this Agreement) or (ii) after committing a default under this Agreement, you commit the same default within 6 months, then we reserve the right to impose a fine of up to \$500 per occurrence. Our collection of a fine for an uncured breach of any System Standards shall not preclude us from subsequently terminating this Agreement at any time that the breach remains uncured.

4. **FRANCHISE DEVELOPMENT.**

(a) Active Promotion and Solicitation. You must, at your expense, actively and continuously market and promote through advertising (or otherwise as we direct) Franchises and solicit and screen Prospects in your Territory according to a quarterly plan and budget that you develop and submit for our approval no later 15 days before the start of every quarter. All advertising which contains the Marks or references the Franchises are subject to our prior written approval. The solicitation ad screening of Prospects is referred to herein as the “**Sales Services.**”

(b) Development Schedule. You are responsible for developing a pipeline of qualified and vetted Prospects as necessary to ensure that Franchise Agreements are signed and Salons are developed, opened, and operated in your Territory in accordance with, and by the deadlines specified in, the Development Schedule set out in Appendix A to this Agreement (the “**Development Schedule**”). You may satisfy the Development Schedule through (i) sales of Franchises to Prospects, regardless of who originally identified them or led them through the sales process, or (ii) Franchised Salons that you or your Affiliates develop in accordance with Franchise Agreements that they sign with us. If a Salon closes or a Franchise Agreement is terminated within the Territory, that Salon will not count toward the Development Schedule. Unless otherwise we agree in writing, any Salon that exists within the Territory as of the Effective Date, including any Salon that is owned and operated by you or your Affiliates will not satisfy your development obligations under this Agreement.

(c) Referrals of Prospects. We will refer to you, as we deem appropriate, all information that you obtain from Prospects who want to operate Franchised Salons within the Territory regardless of the source. You must: (i) complete the solicitation and background investigation of such Prospects; (ii) send to us all information that you obtain from Prospects who want to operate outside of the Territory; and (iii) complete all character profiles and other procedures we direct from time to time. We may require you to use Technology System (as defined in Section 8(d)(i)) designated by us to complete the background check of such Prospects.

5. **DISCLOSURE AND REGISTRATION**.

(a) Franchise Documentation. We offer Franchises through a set of documents, including, the Franchise Agreement, a unit-level franchise disclosure document (“**Salon FDD**”), and related or ancillary documents necessary to offer or sell Franchises, or register the Franchise in compliance with state and federal franchise or business opportunity laws (the “**Documentation**”). You must review the Documentation in detail so that you are fully familiar with them. You recognize that we may modify or amend the Documentation at any time without notice or obligation to you; however, we will promptly send you copies.

(b) Registration. You must not solicit Prospects until we have: (i) registered the Franchise in all portions of the Territory where we are required to do so; (ii) provided you with the Documentation necessary for you to solicit Prospects; and (iii) notified you that the registration, if applicable, is in effect. You must stop soliciting Prospects immediately at any time that we notify you that the registration of the Franchise, if required, is not then in effect in your Territory or the Documentation is not in compliance with applicable federal, state, and local laws, rules, regulations, and ordinances in your Territory (“**Applicable Laws**”). We will, at our costs, prepare the Documentation and file any materials required to be registered with any state regulatory agency in your Territory.

(c) Delays. If you are required to suspend soliciting Prospects for 90 or more consecutive days, through no fault of your own, because (i) we have not completed the annual update of, or any applicable material amendment to, the Salon FDD or (ii) we are required but have not filed applications (or amendment or renewals, as applicable) to offer and sell Franchises in any state in the Territory that requires franchise sales registration, then the next Development Period (as shown on the Development Schedule) will be modified to provide you with additional

time to comply (the end of the next Development Period will be moved back one day for every day your Franchise sales are suspended beyond 90 days). For example, if we have not registered a Franchise offering in a particular state that requires it for 120 consecutive days, then the next Development Period will be extended 30 days (and there will be no change to subsequent Development Periods). If we, through no fault of yours, lose our rights to solicit and/or sell Franchises in any state in the Territory, we will modify the Development Schedule to accommodate you for the lost opportunity in that state. However, you acknowledge that (i) it is common for temporary lapses in the ability to offer and sell Franchises due to the need for periodic modifications, updates, and regulatory approvals, and (ii) lapses of consecutive time periods of 90 days or less will not require any modification of the Development Schedule.

(d) Information Requirements. In connection with fulfilling legal and other franchise requirements, you must provide to us all information we request to prepare all Documentation, sign and return to us all Documentation we request for the purpose of registering the offer of Franchises throughout the Territory, if required, and review and become familiar with all Documentation that would be provided to your Prospects. You must notify us in writing within five (5) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award, or decree, by any court, agency or other governmental instrumentality, or arbitration agency, which names you or any of your principal owners, or otherwise concerns your operation or your financial condition or of any Franchisee in your Territory.

(e) Broker Registration. You (and, if necessary, your Owners and officers, if any) will register and/or obtain licensure as a franchise broker, real estate broker, business broker or otherwise in any jurisdiction in which you are required to do so and maintain such registrations or licenses throughout the Agreement Term, at your cost and expense. You must not solicit Prospects until: (i) such registration or license, if necessary, is effective; and (ii) you have provided to us documentary proof of its effectiveness. You must not engage or utilize any Brokers for any reason without our prior written approval; but we reserve the right to do so in our sole discretion.

(f) Franchise Sales Compliance. You must comply with all Applicable Laws governing the offer of Franchises in your Territory. In this connection, you must:

(i) Furnish to Prospects only Documentation we designate, including the then-current form of the Salon FDD we have authorized for use within your Territory, along with such promotional material that we have previously approved. You have no authority to make any changes, additions or deletions of any kind to them or to agree to any changes, additions or deletions of any kind;

(ii) Comply with all requirements for timing of delivery of the Documentation and obtaining and delivering to us the original signed acknowledgment of receipt for each Salon FDD you deliver to any Prospect;

(iii) Make no representations or other statements that conflict with any of the information contained in the Salon FDD delivered to the Prospect and within our then-current Franchise Agreement;

(iv) Make no financial performance representations, as that term is defined in the Federal Trade Commission's Franchise Rule, 16 CFR Parts 436, et seq. ("**FPRs**"), earnings claims, or projections, or provide any information with regard to sales, revenues or income relating to any Franchise or any individual Salon unless in accordance with the provisions of the Salon FDD to be provided to Prospects. You must not review or comment on any financial projections prepared or submitted by Prospects. The only FPRs and other financial information, if any, that may be made to Prospects are those contained in the Salon FDD we provide to you for your use as a Development Agent;

(v) Promptly notify us of any material information or event which comes to your attention that may require disclosure in the Salon FDD;

(vi) Use, display, publish and distribute for purposes of soliciting Prospects, only advertising, marketing and promotional materials that we have previously approved as acceptable for use in your Territory; and

(vii) Provide us with copies of any business or franchise registrations, licenses or permits you are required to obtain under Applicable Laws in your jurisdiction related to the establishment or operation of the DA Business, and assist us with collecting copies of any business registrations, licenses, or permits that Franchisees are required to obtain.

(g) Application Process. You must only use the application forms and other documents we specify for each Prospect that wants to purchase a Franchise. You have no authority to modify the application forms or any other documents we provide you with. You must maintain written or electronic records of all contacts with all Prospects for Franchises regardless of whether such contact rises to the level of such prospect applying for a Franchise. You must provide written progress reports as we request from time to time. You must assist Prospects in completing their application. We may inspect your records in this regard at any time, with or without notice. You must perform the due diligence, preliminary investigation and evaluation as we specify from time to time in the Manuals or otherwise. You must promptly submit all applications for Franchises that you receive to us along with all information we require regarding the Prospect and maintain a copy with your records.

(h) Method of Approval. We will use our best efforts to approve or disapprove Prospects within 30 days after we receive the completed Franchise application and other materials that we request from the Prospect. We may condition approval by requiring an acceptable personal interview of a Prospect or its owners either in person or via telephone or electronic means. We may require you to conduct initial interviews on our behalf, however, we retain the ultimate determination on whether to grant such Prospect a Franchise. If we determine that the Prospect possesses sufficient financial and managerial capability and meets the other criteria then utilized by us in the award of Franchises within the Territory, we will offer to award one to the Prospect. The award of the Franchise will be evidenced by our signing and delivery of the Franchise Agreement, after we have received it signed by the Prospect and payment of the appropriate fees. You are not authorized to enter into Franchise Agreements on our behalf. Franchise Agreements and any ancillary agreements are not binding on us until we sign the Franchise Agreement, and we can refuse to do so at any time.

6. **TRAINING.**

(a) **Initial Franchisee Training.** You (or, if you are an Entity, at least one of your Owners) must attend and satisfactorily complete the initial training that we provide to Franchisees i.e. the Salon Fundamentals Course and the New Owner Training (collectively, the “**Initial Franchisee Training**”), unless we agree otherwise in writing.

(b) **Development Agent Training.** We will furnish initial training on the operation of an DA Business (“**Development Agent Training**”) to you (or, if you are an Entity, at least one of your Owners). You (or, if you are an Entity, your Owners) must attend and satisfactorily complete any Development Agent Training that we deem advisable at such place and time as we may designate. Neither you nor any of your employees or agents will solicit Prospects until you (or, if you are an Entity, at least one of your Owners) have completed our Development Agent Training program.

(c) **Educator and Training Center.** Upon the development of the 6th Salon under the Development Schedule hereto, you must at your cost engage a franchise educator (“**Educator**”). Within six (6) months from notification from us, your Educator must successfully complete all or portions of the Initial Franchisee Training, Development Agent Training, and any other training programs that we designate. We do not charge any fee to train your Educator; however, you must bear all costs associated your Educator’s attendance of our training program. You must cause your Educator to provide the necessary training to the Franchisees that execute Franchise Agreements with us to develop Salons in the Territory. Upon the development of the 8th Salon under the Development Schedule hereto, you must at your cost develop a training center (“**Training Center**”), where you will provide training to the Franchisees that execute Franchise Agreements with us to develop Salons in the Territory. You agree that the Training Center will be developed and maintained in accordance with the System Standards.

(d) **Supplemental Training and Conferences.** We may require you (or, if you are an Entity, your Owners), your Educator, your managers, and other categories of employees that we designate to attend (and, in the case of training programs, successfully complete) any conferences or supplemental or refresher training programs that we choose to provide at locations that we designate, including our annual Fantastic Sams® conference and our annual training summit. We may charge you a reasonable registration fees for each individual that attends or participates in a program or conference.

(e) **Online Training.** For any training programs that we conduct, we may, in our discretion, supplement or replace portions of the in-person training with online training modules.

(f) **Travel and Living Expenses.** We are not responsible for, and you must make arrangements to pay, any compensation, travel and living expenses to which you, your Owners, your Educator, and your employees are entitled during any and all training, conferences, and programs.

(g) **Manuals.** We will provide you access during the Agreement Term to our Manuals, which include our business policies, System Standards, and information relating to your other obligations under this Agreement. We may modify the Manuals from time to time to reflect

changes in System Standards, and we will communicate any such changes to you. You agree to keep your copy of the Manuals current and keep any hard copies and credentials for accessing any electronic versions of the Manuals in a secure location at your DA Business. You will be responsible for periodically monitoring the site for any updates to the Manuals or System Standards and for protecting the confidentiality of any passwords and other digital identifications necessary to access the Manuals on such site. We are the sole owner of the copyright in and all other rights to the Manuals, and you may not reproduce, disclose or use them for any purpose other than in connection with your performance under this Agreement.

7. **SERVICE OBLIGATIONS.**

As our Development Agent, you will be charged with satisfying, as our agent and on our behalf, some or all of the support obligations that we will owe to all Franchisees in your Territory pursuant to their Franchise Agreements with us, including: (i) Salon Development and pre-opening support, (ii) Salon operations, (iii) training, (iv) marketing, and (v) franchisee management/leadership, although we may revise and/or expand these categories from time to time (the “**Support Services**”). You must perform the Support Services, in the manner and frequency (e.g., daily, weekly, monthly, etc.), and to the extent we designate from time to time, on our behalf with respect to all the Franchised Salons located or to be located in the Territory, and fulfill the following obligations:

(a) Review and understand the contents of the Salon FDD, including all exhibits, provided to Prospects, and learn how to select qualified Prospects and complete their pre-qualification in a timely manner, in accordance with our standards and specifications. We may require you to coordinate these activities with our corporate sales team. You must gather any and all information requested by us and help coordinate and facilitate the execution of the franchise and related agreements, if we approve the Prospect. You must also conduct a “welcome orientation” for new Franchisees in your Territory, to explain to them your role as Development Agent. The content and materials for the welcome orientation must be approved by us in advance.

(b) Attend mandatory Development Agent training and monthly webinars and understand the Development Agent role. We may change the frequency of the webinars and/or require periodic, in-person meetings at such locations as we designate.

(c) At our request, provide or facilitate Franchisees’ attendance at the Initial Franchisee Training, provide on-site opening training to Franchisees, facilitate ongoing regional trainings and workshops as we may direct from time to time, and provide or facilitate Franchisees’ attendance at supplemental and refresher training we require, all in accordance with the timing, content and standards we periodically prescribe. If we determine that, pursuant to our request, you have not trained a Franchisee to our satisfaction, and we provide the training ourselves or arrange for someone else to do so, then you forfeit any Commission otherwise due relating to initial franchise fees for such Franchisee.

(d) Create and develop relationships with landlords, local vendor infrastructure, real estate brokers, real estate counsel, architects, contractors, payroll vendors (which include ancillary human resource functions), lenders and financing institutions, marketing and public relations firms

(in each case acceptable to and approved by us), and assist with coordination distribution and purchasing programs as directed by us from time to time.

(e) Consult and advise Franchisees with site selection and lease negotiation of their Salons. However, you acknowledge that we will retain ultimate authority to approve or disapprove all real estate related decisions requiring our approval under the Franchise Agreement including any letters of intent, leases or subleases, and any related modifications or renewals.

(f) Assist in researching the laws and regulations in your Territory that govern the development and operation of the Salons and developing the appropriate forms and contracts in order to comply with such laws and assisting Franchisees in doing so.

(g) Provide support and assistance for all grand opening activities of Franchised Salons located in your Territory in accordance with the Manuals and manage and report to us weekly (or as otherwise specified in the Manuals) all grand opening activities of such Franchised Salons. Such support and assistance will include, without limitation: (i) coordinating marketing with local radio, newspapers and trade publications; (ii) inspecting the Franchisee's operations and Salon to ensure compliance with our System Standards; and (iii) providing such other pre-opening and post-opening assistance for each new Salon that we prescribe from time to time. During the Agreement Term, you must attend the grand opening for each Franchised Salon in your Territory, unless you have been excused from attending the grand opening for a particular Salon for a reason that we have approved in advance in writing.

(h) Assist Franchisees in the ordering and equipping of their Franchised Salon with the equipment and inventory that we authorize for Salons, including identification of approved and/or designated vendors specified by us.

(i) Assist Franchisees with the layout of the premises of the Franchised Salon, in accordance with our then-current plans and specifications for Salons and assist in supervising the build-out for the Franchised Salons in your Territory, including the submission of periodic reports to us as we may prescribe from time to time. These obligations commence once the lease for the Salon has been signed and we have approved the plans for the site. You will ensure that construction plans meet our specifications; that the Franchisee has obtained all required permits and approvals; and that the Franchisee and its contractor(s) are following the construction plans without any changes or deviations not approved by us in writing. In connection therewith, you shall conduct weekly or bi-weekly inspections (as specified by us) and provide construction reports to us with photographs showing the progress of construction and Development of the Salon. You must provide any and all photographs and other information requested by us, and complete any punch lists and sign any certifications that we require, before we will approve the Salon to be opened for business.

(j) Use your best efforts to ensure that Franchised Salons in the Territory meet our System Standards.

(k) Conduct on our behalf, or assist us with, inspecting or auditing Franchised Salons in the Territory. You must visit every Franchised Salon in the Territory and each Franchisee at least monthly, except you must visit new Franchised Salons bi-weekly during the Salon's first 30

days of operations to provide support and assistance with operations and training (as specified by us in the Manuals). During each monthly visit for each Salon, you must conduct a private business consultation with each Franchisee and review operational, sales, marketing, and financial performance. You must inform us whether the Franchised Salons meet our System Standards for design, construction, appearance and function as specified in our Manuals, including but not limited to ensuring that all areas of the Salon, inside and out, are cleaned and maintained according to System Standards. You must provide an in-depth Franchised Salon report at least quarterly following the standards, procedures and measurement criteria that we develop from time to time.

(l) Assist us and Franchisees by providing guidance, assistance and logistical support during transfers of their Franchises or the entry into successor Franchise Agreements, (including providing guidance, assistance and logistical support in connection with mergers, acquisitions, transfers, re-sales, asset sales, etc. by or among Franchisees and third parties) including referrals to preferred vendors we designate.

(m) Participate in our quality assurance programs and periodically evaluate them with us.

(n) Monitor and report the sales volume and other key performance indicators, as we determine from time to time, for the Franchised Salons, and help ensure that Franchisees comply with, and are held accountable for, the performance requirements under their Franchise Agreements.

(o) Monitor the marketing efforts of each Franchised Salon to ensure compliance with our requirements, including (i) protecting and upholding all brand standards to ensure a uniform image and preserve the goodwill associated with the Marks; and (ii) assisting Franchisees with developing and implementing marketing strategies for the benefit of their Salons.

(p) If local franchisee co-ops or other franchisee associations are formed that include Franchisees, you must use your best efforts to participate in meetings of such associations.

(q) Provide Franchisees with supervisory assistance and guidance in connection with the opening and initial operations of their Salon as we may designate in a manner and at times we deem advisable.

(r) Maintain positive relationships, serve as our liaison and evaluate additional incentive programs and marketing programs from approved and preferred suppliers, vendors and others we designate.

(s) Provide to Franchisees the continuing operating assistance described in the Franchise Agreement that we periodically delegate to you in accordance with our policies and instructions.

(t) Report to and take direction from us and assist us in our efforts to satisfy all obligations that we have under the Franchise Agreements.

(u) Assist us, as we request, in the enforcement of all provisions of any Franchise Agreement, including collection of monies due us provided that you must require that monies

owed to us are made payable only to us or in the manner we designate, and you may not collect payments from Franchisees or Prospects that are not made payable to us.

(v) At all times during the Agreement Term, you agree to maintain your primary residence and your business office (which can be your primary residence) within the boundaries of your Territory, unless we, in our sole discretion, approve otherwise in writing.

(w) Provide to us and to each Franchisee in the Territory your office address, telephone number, email address and hours of operation.

(x) Assist us with the roll-out of programs that we establish from time to time, including but not limited to new products, new training protocols and curriculum, new marketing programs, new promotions, new vendor programs, new logos, and new computer hardware and software.

(y) Comply with all applicable Laws and regulations while operating your DA Business and performing under this Agreement.

(z) Keep up to date with the laws governing Franchised Salons and alert us as to legal developments as they arise from time to time.

(aa) As we may require from time to time, collect financial statements from Franchisees and provide such statements, together with your financial statements, to us within 20 days after the end of each period;

(bb) Follow and use our communications tools and policies, as prescribed from time to time.

(cc) Provide an annual business plan to us for your DA Business, and work with Franchisees in your Territory to ensure that they timely complete and submit a business plan for each of their Salons on a per-Salon basis.

(dd) Hire and develop sufficient qualified personnel to serve regional support roles and functions for your DA Business.

8. **OPERATION OF THE DA BUSINESS.**

(a) **Standards of Service.** During the Agreement Term, you must at all times faithfully, honestly and diligently perform your obligations and exert your best efforts to promote and enhance your DA Business and the sale, development, and servicing of Prospects and Franchises within the Territory. You must: (i) at all times give prompt, courteous and efficient service to Prospects and Franchisees consistent with the standards we specify in the Manuals or otherwise; (ii) adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with the Franchisees, Prospects, us, and the public; (iii) not favor one or more Franchisees over other Franchisees; (iv) not enter into any relationships with Franchisees or others that may result in a conflict of interest between your obligations as our Development Agent and your duties to provide services to a Franchisee; and (v) and not charge Franchisees for any products or services.

(b) Strict Conformance. You must perform your obligations under this Agreement strictly in accordance with the terms and provisions of this Agreement, the applicable Franchise Agreements, the System, the Manuals, and our policies as they may be developed, modified and supplemented from time to time, and only within the Territory.

(c) Management and Personnel.

(i) Supervision. The DA Business must at all times be under your direct supervision or under your direct supervision of your Owners if you are an Entity.

(ii) Personnel. You are solely responsible for hiring, training and supervising your personnel and must hire sufficient personnel to fully staff the DA Business to operate in accordance with this Agreement and the System Standards. All personnel must meet every requirement imposed by Applicable Laws and must comply with all brand standards. All persons you employ that have access to any of the Confidential Information must sign a confidentiality agreement, that will not otherwise contain any terms or conditions of employment. All persons that you employ must sign an acknowledgement, in a form that we specify, acknowledging that you are their employer and that we do not have any relationship with them.

(iii) Employment Matters. To the extent System Standards, or other resources in the Manuals, address personnel or employment matters, those are not mandatory but are merely recommendations, suggestions or guidelines. System Standards do not include any mandatory requirements on your employee's wages, working conditions, hours, staffing levels, shift timing or other terms of employment, but may specify uniforms and appearance to meet brand standards. While we may provide additional employment-related guidance, you are responsible for making all hiring and employment decisions as the owner of the DA Business. This includes, but is not limited to, employee selection, hiring, training, promotion, termination, hours worked, rates of pay, benefits, work assigned, supervision, discipline, maintaining employment records, and working conditions.

(d) Technology System.

(i) Acquisition and Updates. You must obtain, maintain, and use the hardware, software, other equipment, and network connections that we specify periodically in the Manuals, including the hardware, software, other equipment, and network connections necessary to operate any technology systems that we designate (collectively, the "**Technology System**"). You must replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Technology System requirements. We may require you to obtain certain components of, or upgrades to, the Technology System and maintenance and support services related to the Technology System from us or our Affiliates, and we may charge you a technology fee or other reasonable fees for such products and services. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require.

(ii) Use of the Technology System. You must use the Technology System to enter and track Personal Information (as defined in Section 13(b)) about Franchisees and Prospects, the services that you have provided to Franchisees, and your contact with Prospects, along with any other information that we specify. You agree: (A) that your Technology System will be dedicated for business uses relating to the operation of the DA Business; (B) to use the Technology System in accordance with our policies and operational procedures; (C) to transmit financial and operating data to us as required by the Manuals; (D) to do all things necessary to give us unrestricted access to the Technology System at all times (including users IDs and passwords, if necessary) so that we may independently download, and transfer data via a modem or other connection that we specify; (E) to maintain the Technology System in good working order at your own expense; (F) to ensure that your employees are adequately trained in the use of the Technology System and our related policies and procedures; and (G) not to load or permit any unauthorized programs or games on any hardware included in the Technology System. You also must comply with all industry standards and Applicable Laws related to data privacy and data protection with respect to any personally identifiable information you collect from any individual, including those relating to the security of the Technology System. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if the Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect.

(e) Books and Records. You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats (including, at our option, the accounting principles) that we prescribe from time to time in the Manuals and otherwise in writing. You must use the Technology System to collect and provide us access to that data and other information in the manner we specify. You must preserve and maintain all records, in the manner we periodically specify, in a secure location at the DA Business for at least five (5) years after the end of the fiscal year to which such records relate.

(f) Reporting.

(i) Reports from You. You must provide us with the following reports, in the manner and format that we prescribe from time to time:

(A) concurrently when sent or received by you, copies of all correspondence with Franchisees that are material to the franchise relationship;

(B) on or before the tenth day of each month, a report describing the Prospects that you have contacted and Franchised Salons that you have visited;

(C) within 90 days after the end of each fiscal year, a profit and loss and source and use of funds statement(s) for the DA Business for the recently completed fiscal year, and a balance sheet for the DA Business as of the end of such fiscal year;

(D) within 10 days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other

information we may periodically require relating to you and your DA Business and your financial condition, earnings, sales, profits, costs, expenses, and performance; and

(E) such other documents and reports relating to your DA Business that we may specify from time to time.

(ii) Form of Reports. We may periodically specify the form and content of the reports and financial statements described in Section 8(f)(i) (Reports from You) and may periodically change the timing of the due dates for such reports. You agree to verify and sign each report and financial statement in the manner we prescribe. If we reasonably determine that any report or financial statement submitted to us is materially inaccurate, in addition to the other remedies that we may exercise as a result of such material breach, we may require you to have audited financial statements prepared annually during the Term. We will not publicly disclose data derived from these reports unless we make such public disclosure without disclosing your identity or your DA Business's financial results on an individual (i.e., unconsolidated) basis.

(iii) Our Disclosure of Franchisee Reports. We will make reasonable efforts to provide you with copies of correspondence, reports and data issued by each Franchisee to us if: (i) we determine them to be useful to your operation of your DA Business; and (ii) the reports are the type of information which Franchisees provide to us under their Franchise Agreements. We will also report to you, sufficient data with each Commission payment to enable you to verify the amounts payable.

(g) Judicial Actions. You must notify us within five (5) business days of your notice of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, writ, injunction, award or decree, by any court, agency or other governmental instrumentality which may adversely affect your operations or financial condition, your DA Business, or any Franchisee or Salon in the Territory. You may not sue or initiate any arbitration proceedings any of our Franchisees or approved vendor suppliers without our prior written permission.

(h) Ancillary Activities. You will not directly or indirectly engage in selling, providing, brokering, or assisting in the sale of goods or services to Franchisees (each, an “**Ancillary Activity**”) or receive any consideration for doing so, unless and until you have notified us, and we have approved such Ancillary Activity in writing. If we permit you to engage in any Ancillary Activity, you must disclose to us in writing any and all income, fees, monies earned, and any other type of remuneration, compensation or consideration received by you or your Affiliates from Ancillary Activities. You must also disclose to us on a quarterly basis the information we request concerning your or your Affiliates' Ancillary Activities. You consent to our disclosure of such information as required by law.

(i) Taxes. You and your Owners are solely responsible for all taxes, assessments, and government charges levied or assessed, however denominated or levied upon you or the DA Business, in connection with the business you will conduct under this Agreement (except any taxes we are required by law to collect from you with respect to purchases from us).

(j) Notices.

(i) Notices to Public. You will prominently display in the DA Business all statements that we prescribe from time to time identifying you as the independent owner of the DA Business and our authorized franchisee. All checks, invoices, stationery and advertising materials which you use in operating your DA Business will also have a statement in the form we periodically prescribe identifying you as the independent owner of the DA Business and indicating that you are our authorized franchisee.

(ii) Notices to Employees. You must prominently post signs at the DA Business (including in the area in which all official employment-related notices are posted) and at your offices informing your employees and independent contractors that their relationship is solely with you and that they are not an employee of us or any of our Affiliates. You are solely liable for any employment-related issues. Similar language must be included in all of your employment contracts, offer letters and employee handbooks. We may promulgate and periodically modify the language and specifications for such required postings and notices.

9. **MARKETING RELATED TO SALES SERVICES.**

(a) Your Advertising Requirements. You must ensure that all of your advertising, marketing, promotional, public relations and other brand related programs and materials that you or your agents or representatives develop or implement relating to the DA Business or Franchises is completely clear, factual and not misleading, complies with all Applicable Laws, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify in the Manuals or otherwise. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise. There are no territorial restrictions from accepting business from Prospects that reside or work or are otherwise based outside of your Territory if these Prospects contact you, but we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in our Manuals or otherwise in writing. If required by the laws of your jurisdiction, all advertising and promotion relating to the solicitation of Prospects must be approved by the appropriate regulatory authorities prior to their usage.

(b) Approval of Advertising Materials. You must obtain our written approval of all advertising and promotional plans and materials before their use. You will submit all unapproved plans and materials to us. If you do not receive written approval within 30 days of our receipt of such materials, we will be deemed to have disapproved the materials. You will not use any materials that we have not developed or approved and will promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us. We will have the final decision on all creative Development of advertising and promotional messages. You acknowledge that, in some states, franchise advertising materials are required to be registered prior to use. Where required, we will handle the filing of those materials that are approved for your use and will advise you when you are authorized to use them.

(c) Digital Marketing

(i) Restriction on Digital Marketing. Unless we consent otherwise in writing, you, your employees, and any third-party representatives or digital marketing agencies may not, directly or indirectly, conduct or be involved in any websites, social media accounts (such as Facebook®, Twitter®, Instagram®, Pinterest®, etc.), applications, keyword or adword purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, “**Digital Marketing**”) that use the Marks or that relate to the DA Business, Salons, or the network. You may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet.

(ii) System Website. At our option, we or one or more of our designees may establish and maintain one or more System Websites to advertise, market, and promote DA Businesses, Salons, the Marks, and the DA Business and Salon franchise opportunities, which we may periodically update. We may, at our option, discontinue any or all System Websites at any time. Nothing in this Section will limit our right to maintain websites other than the System Website or to offer and sell merchandise bearing the Marks from the System Website, another website or otherwise over the Internet without payment or obligation of any kind to you.

(iii) Social Media Sites. We also may maintain one or more social media accounts (such as Facebook, Twitter, TikTok, Instagram, Pinterest, or such other social media sites). You may not establish or maintain any social media accounts utilizing any usernames, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific usernames/handles that you must maintain. You will adhere to any social media policies that we establish from time to time and will require all of your employees to do so as well. You must ensure that none of your Owners, managers or employees use our Marks on the Internet or any electronic communications network, except in strict compliance with these social media policies. Use of social media, including any pictures that may be posted on, using or through one or more social media sites, must be in compliance with the Manuals and System Standards, including our then-current take-down policy.

(iv) Ownership. We will own all intellectual property and other rights in the System Website, any mobile applications, any social media pages or accounts related to the Salons, any related domain names or user names, and all information they contain (including the domain name or URL for such webpage, the log of “hits” by visitors, and any personal or business data that visitors supply), which shall all be part of the Intellectual Property. You acknowledge and understand that the registration for any domain names or social media accounts shall be maintained exclusively in our name or the name of our designee.

(v) No Warranty. TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES (WHETHER EXPRESS, IMPLIED OR STATUTORY) RELATED TO THE AVAILABILITY AND

PERFORMANCE OF ANY SYSTEM WEBSITE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE SHALL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OR DAMAGES FOR LOST PROFITS OR LOSS OF BUSINESS) RELATED TO THE USE, OPERATION, AVAILABILITY OR FAILURE OF THE WEBSITE.

10. **TRANSFER.**

(a) **Transfer by Us.** This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests. We also may change our ownership or form without restriction. You acknowledge and agree that we may (i) delegate some or all our responsibilities under this Agreement to our Affiliates or other third-parties to perform on our behalf; (ii) sell all or any part of our ownership interests, our assets, the Marks and/or the System to a third party; (iii) go public or engage in a private placement of some or all of our securities; (iv) merge, acquire other entities, or be acquired by another Entity (whether competitive or not); and/or (v) undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. If we assign our rights in this Agreement, nothing in this Agreement shall be deemed to require us to remain in the DA Business, own any Salons, or to offer or sell any products or services to you.

(b) **Transfer by You.**

(i) **Definition of Transfer.** For purposes of this Agreement, “**Transfer**” as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the License, the Development Agent Rights, the DA Business, or substantially all the assets of the DA Business, or in the direct or indirect Ownership Interest in you (if you are an Entity). “**Transfer**” as a noun means any such sale, assignment, gift, transfer, pledge, mortgage, or encumbrance of (A) this Agreement or any interest in this Agreement; (B) the License; (C) the Development Agent Rights; (D) the DA Business or all or substantially all of the DA Business’s assets; or (E) any Ownership Interest in you (if you are an Entity), whether directly or indirectly through a transfer of legal or beneficial ownership interests in any Owner that is an Entity, and whether in one transaction or a series of related transactions, regardless of the time period over which these transactions take place.

(ii) **No Transfer Without Our Consent.** This Agreement and the License are personal to you, and we have granted the Development Agent Rights in reliance on your (and, if you are an Entity, your Owners’) business skill, financial capacity, and personal character. Accordingly, neither you nor any of the Owners or any successors to any part of your interest in this Agreement, the License, the Development Agent Rights, or the DA Business may make any Transfer or permit any Transfer to occur without obtaining our prior written consent. If you or any of your Owners desire to make a Transfer, you must promptly provide us with written notice. Any purported Transfer, without our prior written

consent, will be null and void and will constitute an Event of Default (as herein defined), for which we may terminate this Agreement without opportunity to cure. We have sole and absolute discretion to withhold our consent, except as otherwise provided in this Section 10. We have the right to communicate with both you, your counsel, and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. No Transfer may be completed until at least 60 days after we receive written notice of the proposed Transfer, including a copy of the letter of intent or purchase agreement between you and the proposed transferee, an application package, a transfer term worksheet, and any other materials specified in the Manuals. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement. If your DA Business is not open and operating, we will not consent to your Transfer of this Agreement, and we are under no obligation to do so.

(c) Transfer Conditions. In granting our consent to a proposed transfer, we may impose such conditions that we reasonably believe necessary to protect the System, including:

(i) The proposed transferee and each of its owners must be individuals who, in our reasonable judgment, meet our then-applicable reasonable standards for new Development Agents, including the fact that they do not directly or indirectly own or perform services for a Competitive Business (as defined below) (this restriction will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than 5% of the number of shares of that class of securities which are issued and outstanding);

(ii) The terms and conditions of the proposed Transfer (including, without limitation, the purchase price) are satisfactory to us;

(iii) The proposed transferee (or its owners, if the proposed transferee is an Entity) must complete our initial training program to our satisfaction at its expense (unless the transferee is an existing Fantastic Sams Development Agent);

(iv) The proposed transferee must agree to assume all of your duties and obligations and, at our option: (A) have agreed in writing to be bound by all of the terms and conditions of this Agreement and any ancillary agreements, such as the Owner's Guaranty; or (B) sign the form of Development Agent agreement and ancillary agreements we then are using in connection with the grant of new Development Agents, which may differ materially from this Agreement (including, without limitation, increased fees, and conditions for renewal and additional Transfers), except that the term under such Development Agent agreement will be equal to the then-remaining Agreement Term under this Agreement (including any Successor Development Term rights you have under this Agreement, if any, but not adding any Successor Development Term rights that you did not have prior to the transfer);

(v) All monetary obligations (whether hereunder or not) of you to us or our Affiliates are paid in full;

(vi) You are not in default under this Agreement or any other agreement between you and us or our Affiliates;

(vii) You must submit all required reports, financial statements and other documents due us up to the effective date of the Transfer;

(viii) We must have received a transfer fee equal to \$1,000 multiplied by the number of Franchised Salons then-currently operating in the Territory;

(ix) You (and your transferring Owners) must have signed general releases, in a form satisfactory to us, of any and all claims against us and our Affiliates, and our and their respective owners, officers, directors, employees, and agents;

(x) You first offered to sell such interest to us pursuant to Section 10(d) (Our Right of First Refusal) and we have declined to exercise our right of first refusal in the manner set forth therein;

(xi) If you or your Owners finance any part of the sale price of the transferred interest, you and your Owners must have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements, or security interests that you or your Owners have reserved are subordinate to the transferee's obligation to pay the amounts due to us and our Affiliates and otherwise to comply with this Agreement;

(xii) You and your transferring Owners must agree in writing for our and the transferee's benefit to continue to observe the restrictions contained in Sections 13 (Confidential Information), 14 (Non-Compete), and 16 (Effect of Termination or Expiration of this Agreement); and

(xiii) You must have provided us with any material reasonably requested by us, including any loan or financing documents, at least 30 days prior to the proposed Transfer's effective date.

(d) Our Right of First Refusal.

(i) Our Right. Any proposal or offer to purchase your DA Business must be made separate and apart from any other rights (including with respect to the purchase of Franchised Salons owned by your Affiliates), and a separate purchase price must be assigned to the DA Business. We have the right, exercisable within 30 days after receipt of the notice of your intent to Transfer and such documentation and information that we require (as specified in the Manuals or as otherwise requested by us), to send written notice to you that we intend to purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party or, at our option, the cash equivalent thereof. If you and we cannot agree on the reasonable equivalent in cash or if the Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser or may elect at that time to not exercise our rights. We must receive, and you and your Owners agree to make, all customary representations, warranties and indemnities

given by the seller of the assets of a business or ownership interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests, liens and encumbrances on assets, validity of contracts and agreements, and the liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased, and indemnities for all actions, events and conditions that existed or occurred in connection with the DA Business prior to the closing of our purchase. Closing on our purchase must occur within 90 days after the date of our notice to the seller electing to purchase the interest. We may assign our right of first refusal to another Entity or person either before or after we exercise it.

(ii) Declining Our Right. If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with the applicable provisions in Section 10. Closing of the Transfer must occur within 90 days of our election (or such longer period as Applicable Laws may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

11. **DEATH OR DISABILITY**

(a) Transfer Upon Death or Disability. Upon your death or Disability or, if you are an Entity, upon the death or Disability of an Owner, your or the Owner's executor, administrator, conservator, guardian, or other personal representative must, within a reasonable time (not to exceed six months after such death or Disability), Transfer your or the Owner's interest in compliance with the terms and conditions applicable to Transfers contained in Section 10 (Transfer). "**Disability**" means the inability of a person to perform his or her normal responsibilities at the DA Business for a consecutive period of at least 90 days or for a total of 180 days during any 12-month period. Such new Owner will be required to complete our management training program to our satisfaction.

12. **INTELLECTUAL PROPERTY.**

(a) Marks and Trade Dress.

(i) Acknowledgements. You acknowledge that we or our Affiliates are the owner of, and have superior rights to, the Marks and the Trade Dress, that you have no interest in the Marks and the Trade Dress beyond the non-exclusive license granted herein, and that, as between we and you, we have the exclusive right and interest in and to the Marks and the Trade Dress and the goodwill associated with or attached to any portion of the Marks, Trade Dress and our Intellectual Property (defined below), whether or not associated with and symbolized by them. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under this Agreement. Nothing herein shall constitute a representation or warranty from us or our Affiliates as to title to or ownership of any Marks or other Intellectual Property.

(ii) Rights. Your right to use the Marks and Trade Dress applies only to the DA Business operated in the Territory as expressly provided in this Agreement, including advertising related to the DA Business. You may only use in your DA Business the Marks and the Trade Dress we designate, and only in compliance with written rules that we prescribe from time to time. You may not use any Mark (i) as part of any corporate or legal business name (except for a fictitious name in a form that we approve), (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner we have not expressly authorized in writing. No materials on which any of the Marks or the Trade Dress appears will be used by you without our prior written approval, which may be revoked at any time upon reasonable notice to you. You must display the Marks in a manner that we specify on signage at the DA Business's office and on all written materials, forms, advertising, promotional materials, supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials we designate.

(b) Copyrights. You acknowledge that as between you and us, any and all present or future copyrights relating to the System or the Fantastic Sams® concept, including, but not limited to, the Manuals and marketing materials, (collectively, the “**Copyrights**”) belong solely and exclusively to us. You have no interest in the Copyrights beyond the non-exclusive license granted in this Agreement.

(c) No Contesting Our Rights. During the Agreement Term of this Agreement and after its expiration or termination, you agree not to directly or indirectly contest our or our Affiliates' ownership, title, right or interest in or to, or our license to use, or the validity of, (i) the Marks, (ii) the Trade Dress, (iii) the Copyrights, or (iv) any trade secrets, methods, or procedures that are part of the System (collectively, the “**Intellectual Property**”), or contest our or our Affiliates' sole right to register, use, or license others to use the Intellectual Property.

(d) Changes to the Intellectual Property. We have the right, upon reasonable notice, to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with the System without any liability to you, in our sole discretion. You agree to implement any such change at your own expense within the time we reasonably specify.

(e) Third-Party Challenges. You are responsible for researching and identifying unauthorized and infringing uses of the Intellectual Property in your Territory. You agree to notify us promptly of any unauthorized use of the Intellectual Property of which you have knowledge. You also agree to inform us promptly of any challenge by any person or Entity to the validity of our ownership of or our right to license others to use any of the Intellectual Property. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including, but not limited to, any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our Affiliates in connection with any such action. You agree to execute all documents and render any other assistance we may deem necessary to assist us in any such

proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property.

(f) Innovations. You agree to promptly disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you and/or any of your Affiliates, Owners, agents, representatives, contractors or employees during the Agreement Term relating to the Development or operation of an DA Business or Salon (“**Innovations**”), whether or not protectable intellectual property and whether created by or for you or your Owners or employees. All Innovations will be deemed our sole and exclusive property and works made-for-hire for us. We have the right to incorporate Innovations into the System and may use them and authorize you and others to use them in the operation of DA Businesses or Salons. Innovations will then also constitute Confidential Information. To the extent any Innovation does not qualify as a work made-for-hire for us, by this Section you assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees, and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our Affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating the DA Business or otherwise without our prior approval.

(g) Post-Termination or Expiration. Upon the expiration or termination of this Agreement for any reason, all of your rights to use the Intellectual Property will automatically revert to us without cost and without the execution or delivery of any document. Upon our request, you will execute all documents that we require to confirm such reversion.

(h) Non-Disparagement. You agree not to (and to use your best efforts to cause your current and former owners, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, Affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of us, our Affiliates, any of our or our Affiliates’ directors, officers, employees, representatives or Affiliates, current and former Franchisees or developers of us or our Affiliates, the Fantastic Sams® brand, the System, any DA Business, Salon or other business using the Marks, any other brand or service-marked or trademarked concept of us or our Affiliates, or which would subject the Fantastic Sams® brand or such other brands owned by us or our Affiliates to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us, the Fantastic Sams® brand or such other brands owned by us or our Affiliates. This obligation will survive the termination of this Agreement.

13. **CONFIDENTIAL INFORMATION.**

(a) Confidentiality of Trade Secrets and Other Confidential Information.

(i) Definition of Confidential Information. “**Confidential Information**” means certain information, processes, methods, techniques, procedures and knowledge, including know-how (which includes information that is secret and substantial), Manuals and trade secrets (whether or not judicially recognized as a trade secret), developed or to be developed by us, our predecessor, or our or its Affiliates relating directly or indirectly to the Development or operation of an DA Business or a Salon. With respect to the

definition of know-how, “**secret**” means that the know-how as a body or in its precise configuration is not generally known or easily accessible and “**substantial**” means information which is important and useful to you in developing and operating the DA Business or a Salon. Without limiting the foregoing, Confidential Information includes, but is not limited to:

- (A) methods, techniques, specifications, standards, policies, procedures and information relating to the sale, development, operation, and franchising of DA Businesses and Salons;
- (B) knowledge of suppliers and specifications for certain materials, equipment and fixtures for DA Businesses and Salons;
- (C) operating results and financial performance of DA Businesses and Salons, including your DA Businesses or Salons;
- (D) Personal Information (defined below);
- (E) any and all marketing, promotional or training materials used in the operation of or relating to DA Businesses or Salons; and
- (F) the System Standards and the Manuals.

Confidential Information does not include (i) information, methods, procedures, techniques and knowledge which are or become generally known to the general public, other than through disclosure (whether deliberate or inadvertent) by you or your Owners or employees; and (ii) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided you notify us prior to disclosure and have used your best efforts to obtain, and have afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

(ii) Ownership. You acknowledge and agree that we and our Affiliates own all right, title and interest in and to the Confidential Information, which is proprietary and a valuable asset of us and our Affiliates. We will disclose to you such parts of the Confidential Information as we determine (in our sole judgment) are required for the operation of an DA Business during training and in guidance and assistance furnished to you during the Agreement Term in the Manuals, orally, or otherwise in writing. You and each of your Owners acknowledge and agree that neither you, your Owners, nor any other person or Entity will acquire any interest in or right to use the Confidential Information, other than your right to utilize certain Confidential Information in the operation of the DA Business and Salons, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees.

(iii) Use of Confidential Information. You acknowledge and agree that the Confidential Information is disclosed to you solely on the condition that you and your

Owners, and each Owner does hereby agree (on behalf of and with respect to himself/herself only), that, during and after the Agreement Term, you and your Owners:

(A) may disclose the Confidential Information to your Owners and employees only to the extent reasonably necessary for the operation of the DA Business;

(B) will not use the Confidential Information in any other business or capacity;

(C) will maintain the absolute secrecy and confidentiality of the Confidential Information;

(D) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible or intangible form; and

(E) will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information, including, without limitation, requiring employees who will have access to such information to execute confidentiality agreements in a form periodically prescribed by us. You must maintain such confidentiality agreements on file for four years after the employee executing such agreement has left your employment, and must provide us, at our request, executed originals of each such agreement.

(b) Personal Information.

(i) Definition of Personal Information. “**Personal Information**” means the names, addresses and other related information related to Prospects, Franchisees, Salon members, or any other third parties that you obtain in the course of operating the DA Business.

(ii) Protection of Personal Information. You must comply with our System Standards, other directions from us, and all Applicable Laws regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Personal Information and, in any event, employ reasonable means to safeguard the confidentiality and security of Personal Information. If there is a suspected or actual breach of security or unauthorized access involving Personal Information, you must notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Personal Information was compromised or disclosed. You are responsible for any financial losses you incur or remedial actions that you must take as a result of a breach of security or unauthorized access to Personal Information in your control or possession.

(iii) Ownership of Personal Information. You agree that all Personal Information that you collect in connection with your DA Business is deemed to be owned by us and must be furnished to us at any time that we request it. In addition, we and our Affiliates

may, through the Technology System or otherwise, have independent access to Personal Information.

(iv) Use of Personal Information. You have the right to use Personal Information while this Agreement or a successor Development Agent agreement is in effect, but only to market Franchises and provide services to Franchisees in accordance with the policies that we establish periodically and Applicable Laws. You may not sell or transfer Personal Information for any purpose. We and our Affiliates may use Personal Information in any manner or for any purpose. You must secure from Prospects and others all consents and authorizations, and provide them all disclosures, that Applicable Laws requires to transmit Personal Information to us and our Affiliates, and for us and our Affiliates to use that Personal Information, in the manner that this Agreement contemplates.

(c) Nondisclosure and Noncompetition Agreements with Certain Individuals. We have the right to require any of your Owners (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and employees of your DA Business to execute a nondisclosure and noncompetition agreement, in form reasonably satisfactory to us, upon execution of this Agreement or prior to each such person's affiliation with you. Upon our request, you will provide us with copies of all nondisclosure and noncompetition agreements signed pursuant to this Section. Such Agreements shall remain on file at your offices and are subject to audit or review as otherwise set forth in this Agreement. We will be a third-party beneficiary with the right to enforce covenants contained in such agreements or, at our option, we will be a direct party to the agreement.

14. NON-COMPETE

(a) Acknowledgement. We have granted the DA Business to you in consideration of and reliance upon your (and your Owners') agreement to deal exclusively with us. You acknowledge and agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among our franchisees if you (or your Owners) were permitted to hold interests in or perform services for:

(i) any business which is of a character and concept similar to the Salons, including a hair care service or waxing service business which offers and sells the same or substantially similar products or services that are sold at the Salons;

(ii) any Entity that grants franchises or licenses for any of the businesses described above (i); or

(iii) any Development Agent, Broker, business broker, or the like for any of the businesses described in numerette (ii) described above (each, a "**Competitive Business**").

For the avoidance of doubt, another Salon or DA Business will not be considered a Competitive Business.

(b) During Agreement Term. You agree that, during the Agreement Term, neither you nor any of your Owners, directors, or officers (nor any of your or their spouses, parents, siblings,

or children) will, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

(i) own, manage, engage in, be employed by, advise, make loans to, act as lessor to, or otherwise support (other than as a customer), or have any other interest in any Competitive Business located or operating anywhere;

(ii) interfere with our or any other DA Business or Salon owner's relationship with any vendors or suppliers to your DA Business or Salon; or

(iii) direct any prospective or existing business or economic opportunities away from us, our Affiliates, the DA Business, or any other DA Businesses or Salons to a Competitive Business.

(c) After Termination, Expiration, or Transfer. For two (2) years after the expiration or termination of this Agreement or an approved Transfer to a new Development Agent, you and your Owners may not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

(i) own, manage, engage in, be employed by, advise, make loans to, act as lessor to, or otherwise support (other than as a customer), or have any other interest in any Competitive Business located or operating: (A) in the Territory; (B) within a 5-mile radius of the Territory; or (C) within a 2.5-mile radius of any Salon in operation on the effective date of termination or expiration of this Agreement;

(ii) interfere with our or any other DA Business or Salon owner's relationship with any vendors or suppliers to your DA Business or Salon, or

(iii) provide or market any products or services to our Development Agents or Franchisees.

(d) Publicly Traded Corporations. Ownership of less than 5% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 14.

(e) Enforcement of Covenants. You acknowledge and agree that (i) the restrictive covenants contained in this Section 14 are essential elements of this Agreement and that without their inclusion, we would not have entered into this Agreement; (ii) the time, territory, and scope of the covenants provided in this Section 14 are reasonable and necessary for the protection of our legitimate business interests; (iii) you have received sufficient and valid consideration in exchange for those covenants; (iv) enforcement of the same would not impose undue hardship; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 14 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants

contained in this Section 14. You acknowledge that any breach or threatened breach of this Section 14 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 14. Such injunctive relief will be in addition to any other remedies that we may have.

15. **TERMINATION OF AGREEMENT.**

(a) Termination by Us. Any one or more of the following constitutes an “**Event of Default**” under this Agreement:

(i) you (or any of your Owners) have made or make any material misrepresentation or omission in connection with your application for and acquisition of the DA Business or your operation of the DA Business, including, without limitation, by making misrepresentations or omissions to Franchisees;

(ii) you (or, if you are an Entity, your Owners) fail to satisfactorily complete the Development Agent Training program and/or any additional, supplemental or refresher training programs;

(iii) you fail to satisfy any portion or component of the Development Schedule, provided that such failure is not due to (x) us unreasonably withholding approval of a Prospect, (y) us unreasonably delaying the closing of a sale to an approved Prospect, or (z) circumstances that we determine, in our sole discretion, are outside of your control and are not directly or indirectly related to your acts or omissions;

(iv) you (1) abandon or fail to actively operate the DA Business for 10 consecutive business days during any calendar month (2) assert, in writing, your intention to permanently close your DA Business prior to the end of the Agreement Term without our consent, or (3) otherwise engage in acts that would cause us to reasonably conclude that you have abandoned the DA Business;

(v) you or any of your Owners makes a purported Transfer in violation of Section 10 (Transfer);

(vi) you, any Owner, or any of your officers or directors are convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the Fantastic Sams® brand (an “**Adverse Effect**”) or you, any Owner, or any of your officers or directors has engaged in or engages in activities that, in our reasonable opinion, have an Adverse Effect;

(vii) you (or any of your Owners) misappropriate any Confidential Information or violate any provisions of Section 14 (Non-Compete);

(viii) you violate any Applicable Laws and do not begin to correct such noncompliance or violation immediately, or do not completely correct such noncompliance or violation within the time period prescribed by law, unless you are in good faith contesting your liability for such violation through appropriate proceedings;

(ix) you are restricted in any way and for any period of time from offering or selling franchises by any governmental authority or court, including any injunction or order demanding that you comply with Applicable Laws;

(x) you make financial performance representations, earnings claims, or projections, or provide any information with regard to sales, revenues or income relating to any Franchisee or any individual Salon unless in accordance with the provisions of the Salon FDD to be provided to Prospects;

(xi) it becomes, in our reasonable judgment, impossible, economically impractical or excessively risky in terms of our potential liability, to solicit Franchisees on our behalf due to the Applicable Laws concerning franchise sales in the Territory;

(xii) you solicit or accept rebates or other benefits or consideration from any vendor;

(xiii) if 25% or more of the Franchised Salons in your Territory are not in substantial compliance with our System Standards;

(xiv) you do not attend three (3) or more meetings, trade shows and/or conventions for which we require your attendance during any 36-month period;

(xv) you allow a Franchisee to sign a lease without our approval;

(xvi) you fail to consistently communicate with us or the Franchisees in your Territory and to provide copies of all correspondence for our files;

(xvii) make any changes, additions, or deletions to any Documentation that we have approved for use within your Territory;

(xviii) you fail to submit required reports or fail to make any payment due to us or any of our Affiliates, and do not correct such failure within five days after delivery of written notice of such failure;

(xix) you fail to maintain the insurance required by this Agreement or to furnish us with satisfactory evidence of such insurance within the required time and do not correct such failure within five days after delivery of written notice of such failure;

(xx) you fail to pay when due any federal or state income, service, sales, employment, or other taxes due from the operations of the DA Business, unless you are in good faith contesting your liability for such taxes through appropriate proceedings;

(xxi) you (or any of your Owners) breach this Agreement or any other agreement between us (or any of our Affiliates) and you (or any of your Owners or Affiliates) on three or more separate occasions within any period of 12 consecutive months, and we provide you with written notice of such breaches in accordance with Section 21(d) (Notices and Payments), whether or not such breaches are corrected after notice from us;

(xxii) you fail to pay amounts owed to us, our designated, approved, or recommended suppliers within 30 days following the due date (unless you are contesting the amount in good faith), or you default (and fail to cure within the allocated time) under any note, lease, or agreement we deem material pertaining to the operation or ownership of the DA Business;

(xxiii) you (or your Owners) commit a breach of or default under any Franchise Agreement or any other agreement between you (or your Affiliates) and us or our Affiliates and do not cure the breach or default during the applicable cure period (if any) specified in such Franchise Agreement or other agreement, regardless of whether we or our Affiliates in fact terminate such franchise agreement or other agreement;

(xxiv) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of your property; the DA Business is attached, seized, or levied upon, unless such attachment, seizure, or levy is vacated within 60 days; a lender forecloses on a material portion of your assets; or any order appointing a receiver, trustee, or liquidator of you or the DA Business is not vacated within 60 days following the entry of such order; or

(xxv) you fail to comply with any other obligation under this Agreement or any other agreement between us (or any of our Affiliates), including any System Standard, and do not correct the failure to our satisfaction within 30 days after we deliver written notice of the failure to you.

(b) Our Remedies After an Event of Default.

(i) Right to Terminate. If an Event of Default occurs, we may, at our sole election and without notice or demand of any kind, declare this Agreement and any and all other rights granted under this Agreement to be immediately terminated and, except as otherwise provided herein, of no further force or effect. Upon termination, you will not be relieved of any of your obligations, debts, or liabilities under this Agreement, including without limitation any debts, obligations, or liabilities that you accrued prior to such termination.

(ii) Other Remedies. If an Event of Default occurs, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

(A) temporarily or permanently reduce the size of the Territory, in which event (a) the restrictions on us and our Affiliates under Section 1(b) (Limited Territorial Protection) will not apply in the geographic area that was removed from the Territory and (b) your rights to market Franchises and service Salons in the geographic area that was removed from the Territory will end, and we may assign such rights (including the right to receive related Commission) to ourselves or a third party;

(B) suspend your right to participate in one or more programs or benefits that we provide;

(C) suspend or terminate any temporary or permanent increases or reductions in amounts payable to you or waivers to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(D) suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements or suspend any services that we or our Affiliates voluntarily provide you under this Agreement or any other agreement; and/or

(E) undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement. You will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty plus 25% of our total costs and expenses.

(iii) Exercise of Other Remedies. Our exercise of our rights under Section 15(b)(ii) (Other Remedies) will not (i) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, (ii) constitute an actual or constructive termination of this Agreement, or (iii) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement (except as set forth in Section 15(b)(ii)(E)) following our exercise of any of these rights. If we exercise any of our rights under Section 15(b)(ii), we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

16. **EFFECT OF TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

You covenant and agree that upon expiration or termination of this Agreement for any reason, unless we direct you otherwise, you must comply with each of the following provisions:

(a) Payment of Amounts Owed. If we terminate this Agreement pursuant to its terms and you comply with all of your post-termination obligations, we will pay you all amounts accrued up to the termination date minus any amounts owed to us. You will pay upon demand all sums owing to us and our Affiliates. If this Agreement is terminated due to an Event of Default, you must promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of your default. These payment obligations will give rise to and remain, until paid in full, a lien in favor of us against the DA Business premises and any and all of the personal property or fixtures that you own at the time of the occurrence of the Event of Default. We are hereby authorized at any time after the Effective Date to make any filings and to execute such documents on your behalf of to perfect the lien created hereby. You also must pay to us all damages, costs, and expenses, including reasonable attorneys' fees that we incur after the termination or expiration of this Agreement in obtaining injunctive or other relief for the

enforcement of any provision of this Section 16 (Effect of Termination or Expiration of this Agreement). You will no longer be entitled to receive any Commission.

(b) Cease Identification with Us.

(i) You must immediately cease using, by advertising or in any other manner, (a) the Intellectual Property (including, without limitation, the Marks and the Trade Dress), (b) the System and all other elements associated with the System, and (c) any colorable imitation of any of the Intellectual Property or any trademark, service mark, trade dress, or commercial symbol that is confusingly similar to any of the Marks or the Trade Dress.

(ii) You may not directly or indirectly at any time or in any manner (except with respect to other DA Businesses or Salons you continue to own and operate) identify yourself or any business as a current or former DA Business or as one of our current or former Development Agents.

(iii) You must immediately take all action required (i) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (ii) to cancel or transfer to us or our designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the DA Business or the Marks (collectively, “**Identifiers**”). You acknowledge that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 16(b), you hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer.

(iv) You must, at your own expense, remove and deliver to us (or, at our option, destroy) all marketing materials, forms, and other materials containing any of the Marks or otherwise identifying or relating to the DA Business.

(v) If we do not have or do not exercise an option to purchase the DA Business, you must, at your own expense, make such modifications or alterations to the office premises immediately upon termination or expiration of this Agreement that we deem necessary to distinguish their appearance from an Fantastic Sams® DA Business, including, but not limited to, removing the signs, the Marks, and any Trade Dress so as to indicate to the public that you are no longer associated with us. If you do not comply with the requirements of this Section, we may enter the DA Business premises without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us on demand for our expenses in making such changes.

(vi) You agree to provide us with originals or photocopies of all files, materials, and records you maintained with respect to your interactions with Prospects and Franchisees prior to the termination or expiration of this Agreement.

(vii) You agree to furnish us, within 30 days after the effective date of termination or expiration of this Agreement, with evidence satisfactory to us of your compliance with the foregoing obligations.

(c) Confidential Information. Upon termination or expiration of this Agreement, you and your Owners will refrain from any disclosure of Confidential Information and will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials that we have loaned to you.

(d) Competitive Restrictions. You and your Owners will abide by the non-compete obligations specified in Section 14(c) (After Termination, Expiration, or Transfer).

(e) Injunctive and Other Relief. You acknowledge that your failure to abide by the provisions of this Section 16 will result in irreparable harm to us, and that our remedy at law for damages will be inadequate. Accordingly, you agree that if you breach any provisions of this Section 16, we are entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.

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

17. INDEMNIFICATION AND INSURANCE.

(a) Indemnification.

(i) Indemnification Obligation. You must defend, indemnify, and hold harmless us and our Affiliates, our and their permitted successors and assigns, and each of our and their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the “**Indemnified Parties**”) from and against all Losses (defined below), which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of or relating to: (A) the operation of the DA Business and the business you conduct under this Agreement; (B) your breach of this Agreement; (C) your noncompliance or alleged noncompliance with any Applicable Laws; or (D) any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants', arbitrators', mediators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration,

or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

(ii) Indemnification Procedure. We will promptly notify you of any claim that may give rise to a claim of indemnity hereunder, provided, however, that the failure to provide such notice shall not release you from your indemnification obligations under this Section 17(a), except to the extent you are actually and materially prejudiced by such failure. You shall have the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If (A) the Indemnified Party shall have been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to you and, in the reasonable opinion of the Indemnified Party, the counsel that you have selected could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with your interests, (B) you do not assume responsibility for such Losses in a timely manner, (C) the claim involves any elements of the Intellectual Property, or (D) you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party shall have the right to assume the defense of any claims and employ counsel of its own choosing and you shall pay the reasonable fees and disbursements of such Indemnified Party's counsel as incurred; provided that in any case, you shall not be obligated to pay the expenses of more than one separate counsel for all Indemnified Parties taken together. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, shall have the right to participate in such claim and to retain its own counsel at such party's own expense.

(iii) Cooperation and Settlement. You or the Indemnified Party (as the case may be) shall keep you or the Indemnified Party (as the case may be) reasonably apprised of, and shall respond to any reasonable requests concerning, the status of the defense of any claim of which it is maintaining, and shall cooperate in good faith with each other with respect to the defense of any such claim. You shall not, without the prior written consent of the Indemnified Parties, (a) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Parties, or (b) settle or compromise any claim in any manner that may adversely affect the Indemnified Parties other than as a result of money damages or other monetary payments which will be paid by you. No claim which is being defended in good faith by you in accordance with the terms of this Section 17(a) shall be settled by the Indemnified Parties without your prior written consent.

(iv) Willful Misconduct or Gross Negligence. You have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions. However, nothing in this Section 17(a)(iv) limits your obligation to defend us and the other Indemnified Parties under Section 17(a)(i) (Indemnification Obligation).

(v) Survival and Recovery. Your obligations in this Section 17(a) will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 17(a). You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 17(a).

(vi) Contribution. If we bring legal action to enforce our rights under, or to defend claims relating to, any Franchised Salons in your Territory, you must reimburse us for 40% of the reasonable attorneys' fees and costs we incurred in doing so. We may setoff these amounts against compensation otherwise due you. If we do not offset such reimbursement, you must pay us within 30 days of receipt of our invoice.

(b) Insurance. You must obtain and thereafter maintain in full force and effect, throughout the Agreement Term, at your sole expense, property, professional liability, general liability, motor vehicle liability and other types of insurance we require in the Manuals or otherwise in writing from time to time. The liability insurance must cover claims for bodily injury, death and property damages caused by or occurring in connection with your DA Business's operation or activities of your personnel in the course of their employment (within and without your DA Business's premises). All of these policies must contain the minimum coverage we prescribe from time to time and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. The insurer under any required policy must at all times maintain at least an "A" rating or better as rated by Best's Insurance Reports (or any similar rating that we periodically designate). You must cause us and any Affiliates we designate to be named as additional insureds on any such policies. These insurance policies must and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our Affiliates and our and their successors and assigns. You must routinely furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums. You must notify us of any lawsuits filed against you within five business days after you have notice of such lawsuits, whether or not you have tendered them to your insurance company for defense and/or coverage. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies (including, without limitation, termination), we may (but need not) obtain such insurance for you and your DA Business on your behalf, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

18. **AGREEMENT AND INTERPRETATION.**

(a) Entire Agreement. This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us, and there are no oral or other written understandings, representations, or agreements between us and you, relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement will disclaim

or require you to waive reliance on any representation that we made in the most recent disclosure document (including its exhibits and amendments) that we delivered to you or your representative. This Agreement includes the terms and conditions on Appendix A, which are incorporated into this Agreement by this reference. Any policies that we adopt and implement from time to time to guide our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

(b) Amendment. Subject to our right to periodically unilaterally modify System Standards and the Manuals, the provisions of this Agreement may be modified only by written agreement between the parties.

(c) Severability. Except as expressly provided to the contrary in this Agreement, including in Section 20 (Dispute Resolution), each provision of this Agreement is severable, and if, for any reason, any provision or part of a provision is held to be invalid or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement that remain otherwise intelligible, which will continue to be given full force and effect and bind the parties. If any Applicable Laws requires a greater prior notice than is required under this Agreement of the termination of this Agreement or of our refusal to grant you a Successor Development Term, or the taking of some other action not required under this Agreement, or if, under any Applicable Laws, any provision of this Agreement or any System Standard is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and we will have the right to modify such invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions or any System Standard any portion or portions which a court or arbitrator holds to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

(d) Waiver of Obligations. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of notice to the other or such other effective date stated in the notice of waiver. Any waiver we or you grant will be without prejudice to any other rights we or you may have, will be subject to our or your continuing review, and may be revoked by the party granting the waiver at any time and for any reason; provided, however, that any waived breach may not later be used as a ground for terminating this Agreement. Any waiver must be in writing to be enforceable. Our failure to complain or declare that you are in breach of the terms of this Agreement or our failure to give or withhold our approval as provided in this Agreement will not, except as otherwise provided in this Agreement, constitute a waiver of such breach or of such right to withhold our approval. We will not be deemed to waive or impair any of our rights under this Agreement because of our waiver of or failure to exercise any right, whether of the same, similar, or different nature, with other DA

Businesses or because of the existence of franchise or license agreements for other DA Businesses which contain provisions different from those contained in this Agreement.

(e) Construction. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. An “**Affiliate**” of a person or entity is any person or entity that, directly or indirectly, owns or controls, is owned or controlled by, or is under common control with that person or entity. “Control” means ownership or control of a majority of the voting ownership or any combination of voting ownership and/or one or more agreements that together afford control of the management and policies of such person or entity. The words “**include**,” “**including**,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter. “**A or B**” means “A or B or both.” “**Ownership Interest**” means: (i) in relation to a corporation, shares of capital stock or other equity interests in the corporation; (ii) in relation to a limited liability company, membership interests or other equity interests in the limited liability company; (iii) in relation to a partnership, a general or limited partnership interest; or (iv) in relation to a trust, the ownership of the beneficial interest of such trust;

(f) Additional Terms; Inconsistent Terms. The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

19. **INDEPENDENT CONTRACTOR.**

This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the DA Business, including any personal property or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the DA Business. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. We do not have the right or power to supervise or discipline any of your employees; to determine the hiring, firing, compensation, or terms or conditions of employment of any of your employees; or otherwise to control the labor relations between you and your employees. We have no relationship with your employees and you have no relationship with our employees.

20. **DISPUTE RESOLUTION.**

(a) Arbitration. Any controversy, dispute, or claim arising out of or relating to this Agreement or the parties’ franchise relationship shall be submitted to binding arbitration in an arbitration to be administered by the American Arbitration Association (“AAA”). All disputes regarding the validity, interpretation, formation, or enforceability of the arbitration agreement are delegated to

the arbitrator in the first instance. The arbitration proceedings will be conducted by 1 arbitrator, and, except as this Section otherwise provides, according to the AAA's then current Commercial Arbitration Rules (the "AAA Rules"). The parties agree to arbitrate in Wilmington, Delaware. The parties agree further that the arbitrator may tender an interim ruling, including injunctive relief, and all claims of any type by either party, including counterclaims and defenses, are included in the jurisdiction of arbitration. Notwithstanding the foregoing, we may seek injunctive relief in a court of competent jurisdiction relating to the protection of its confidential information, marks, intellectual property, or to enforce the covenants set forth in Sections 12, 13 and 14 of this Agreement, as applicable.

Either party will send written Demand for Arbitration to (1) the other party, and (2) the Regional Office of the American Arbitration Association invoking the binding arbitration provisions of this Section. The arbitrator will be appointed in accordance with the AAA Rules. The parties further consent to the jurisdiction of any appropriate court to enforce the provisions of this Section and/or to confirm any award rendered by the arbitrator. Each party will bear its share of costs and fees of the arbitration in accordance with the AAA Rules. Should a party fail to pay its portion of any arbitration fees in accordance with the AAA Rules, such failure to pay will be grounds for dismissal of the non-paying party's claims.

Any costs or other expenses, including attorneys' fees, arbitrator's fees, interest and costs, incurred by the successful party arising out of or occurring because of the arbitration proceedings or any action to confirm and enforce an arbitration award, will be assessed by the arbitrator or the court against the unsuccessful party. For purposes of this Section, a party will be considered unsuccessful if it withdraws its Demand for Arbitration prior to a decision by the arbitrator. You specifically agree that this clause is entered into without any fraud, duress or undue influence on the part of us or any agent, broker, or employee thereof.

All arbitrations shall be the individual claims of the parties only and shall not be consolidated with any other arbitration or be part of any class or mass arbitration.

Except for claims arising from your non-payment of amounts owed to us and/or our affiliates, you and we agree that any and all claims arising out of or relating to this Agreement or the relationship between the parties, will be barred unless a judicial or arbitration proceeding is brought within the earlier of (a) 1 year from the occurrence of the facts giving rise to such claim or action or (b) within 6 months from the date claimant knew or should have known of the facts giving rise to the claims or action.

The term "you," for purposes of this arbitration clause, includes the shareholders, owners, Guarantor(s), principals, members, or partners of you, or any person or entity claiming by or through any of the foregoing.

You specifically agree and acknowledge that claims arising out of or relating to this Agreement in any way against or by any person or entity, whether a signatory to this Agreement or not, will be resolved through arbitration..

(b) Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration

Act or other federal law, this Agreement, the License, and all claims arising from or related to the relationship between us and you, will be governed by the laws of the State of Delaware, without regard to its conflict of laws principles, except that any state law regulating the sale of franchises, licenses, or business opportunities, or governing the relationship of a franchisor and its franchisee or the relationship of a licensor and its licensee, or involving unfair or deceptive acts or practices, will not apply unless its jurisdictional requirements are met independently without reference to this Section.

(c) Waiver of Jury Trial. WE AND YOU (AND YOUR OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU (OR YOUR OWNERS) OR US. WE AND YOU EACH ACKNOWLEDGE THAT WE AND YOU MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.

(d) Waiver of Punitive Damages. EXCEPT FOR YOUR OBLIGATIONS TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SUBSECTION 17(A) (INDEMNIFICATION), WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE OR OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES HE, SHE, OR IT SUSTAINS.

(e) Limitations of Claims. EXCEPT FOR YOUR INDEMNIFICATION OBLIGATIONS UNDER SECTION 17(A) (INDEMNIFICATION) AND CLAIMS ARISING FROM YOUR (OR YOUR OWNERS') UNAUTHORIZED USE OF OUR INTELLECTUAL PROPERTY, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A LEGAL PROCEEDING (IN THE REQUIRED OR PERMITTED FORUM) IS COMMENCED WITHIN TWO YEARS FROM THE DATE ON WHICH THE VIOLATION, ACT, OR CONDUCT GIVING RISE TO THE CLAIM OCCURS, REGARDLESS OF WHEN THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

(f) Costs and Attorneys' Fees. You (and your Owners) agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): (i) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners (whether or not we initiate a legal proceeding, unless we initiate and fail to prevail in such court, arbitration, or other formal legal proceeding); and (ii) in the defense of any claim you and/or the Owners assert against us on which we prevail in court, arbitration, or other formal legal proceedings. We agree to reimburse you for all expenses you reasonably incur (including attorneys' fees): (x) to enforce the terms of this Agreement or any obligation owed to you by us (whether or not you initiate a legal proceeding, unless you initiate and fail to prevail in such court, arbitration, or other formal legal proceeding); and (y) in the defense of any claim we assert against you on which you prevail in court, arbitration, or other formal legal proceedings.

(g) Cumulative Rights. Our and your rights under this Agreement are cumulative, and no exercise or enforcement of any right or remedy will preclude our or your exercise or enforcement of any other right or remedy under this Agreement which we or you are entitled by law to exercise or enforce.

21. MISCELLANEOUS

(a) No Third-Party Beneficiaries. Except as provided in the indemnification and arbitration Sections, nothing in this Agreement is intended, or will be deemed, to confer any rights or remedies upon any person or legal Entity not a party to this Agreement.

(b) No Liability. You agree that none of our or our Affiliates' past, present or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, Affiliates, controlling parties, suppliers, agents, attorneys, representatives, or Entities under common control, ownership or management will have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement, (ii) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (iii) any claim against us based on any alleged unlawful act or omission of us.

(c) Consent. Whenever our prior written approval or consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval or consent must be in writing and signed by an authorized officer to be effective. Except where this Agreement expressly obligates us reasonably to approve any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed or effected actions that require our approval.

(d) Notices and Payments. All approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section. All such approvals, requests, notices, and reports, as well as all payments, will be deemed delivered (i) at the time delivered by hand; (ii) one business day after sending by e-mail, or through a nationally recognized commercial courier service for next business day delivery; or (iii) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Notices must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and/or, with respect to any approvals and notices that we provide to you or your Owners, at the DA Business's address. As of the Effective Date of this Agreement, notices should be addressed to the following addresses unless and until a different address has been designated by written notice to the other party:

To us: FANTASTIC SAMS FRANCHISE CORPORATION
6901 East Fish Lake Road, #170, Maple Grove, MN 55369
Attn: Legal Department
E-mail: legal@fantasticsams.com

To you: The address specified in Appendix A

(e) Time. Time is of the essence of this Agreement and each and every provision.

(f) Binding Effect. This Agreement will not be binding upon us until it is first signed by you, tendered to us for our acceptance, and signed by us. Once accepted by us, this Agreement is binding upon and will inure to the benefit of us and you and our and your respective successors and permitted assigns. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument. Electronic signatures are expressly authorized. Scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

(g) Varying Standards. We specifically reserve the right and privilege, in our sole and absolute discretion and as we may deem in the best interests of all concerned in any specific instance, to vary System Standards and franchise agreement provisions for any franchisee or prospective franchisee based upon the peculiarities of a particular Territory or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which we deem to be of importance to the successful operation of such franchisee's business. We will not be required to grant you a like or similar variation.

(h) Exercise of Our Business Judgment. We have the right, in our sole judgment, to operate, develop and change the System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information readily available to us and our judgment of what is in our and/or our franchise network's best interests at the time our decision is made, regardless of whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision or the action we take promotes our financial or other individual interest.

22. REPRESENTATIONS AND ACKNOWLEDGEMENTS.

(a) Acknowledgments. You acknowledge and agree that:

(i) you have received an execution ready copy of this Agreement at least seven calendar days before you executed this Agreement or any related agreements or paid any consideration to us. You have also received a Franchise Disclosure Document for DA Businesses (the "**DA FDD**") required by applicable state and/or federal laws, including a form of this Agreement, at least 14 calendar days (or such longer time period as required by applicable state law) before you executed this Agreement or any related agreements or paid any consideration to us;

(ii) you have reviewed this Agreement and the DA FDD and have been given ample opportunity to consult with, and ask questions of, our representatives regarding the documents;

(iii) you have no knowledge of any representations made about the Fantastic Sams® franchise opportunity by us, our Affiliates, or any of our or their officers, directors, owners, or agents that are contrary to the statements made in our DA FDD or to the terms and conditions of this Agreement;

(iv) you are not relying upon any information furnished by us or our representatives other than the information contained in this Agreement and the DA FDD;

(v) you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards in each DA Business and to protect and preserve the goodwill of the Marks;

(vi) you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by an DA Business may evolve and change over time;

(vii) an investment in an DA Business involves business risks;

(viii) your business abilities and efforts are vital to the success of the venture;

(ix) in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us; and

(x) we have advised you to have this Agreement reviewed and explained to you by an attorney and you have been given ample time to do so.

(b) Representations. You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the Development Agent Rights are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the Development Agent Rights. This Agreement has been duly authorized and executed by you or on your behalf and constitutes your valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership, and other similar laws affecting the rights of creditors generally. We have approved your request to purchase a franchise in reliance on all of your representations.

(c) Terrorist Acts. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Order"), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you: (i) do not, and hereafter will not, engage in any terrorist activity; (ii) are not Affiliated with and do not support any individual or Entity engaged in, contemplating, or supporting terrorist activity; and (iii) are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or Entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support

(d) No Warranties. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the network of Salons.

[Signature page follows]

Intending to be bound, the parties to this Agreement now sign and deliver this Agreement in multiple counterparts:

**WE: FANTASTIC SAMS FRANCHISE
CORPORATION**

YOU:

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

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

APPENDIX A
TO THE DEVELOPMENT AGENT AGREEMENT
DEVELOPMENT AGENT-SPECIFIC TERMS

1. **Effective Date:** _____
2. **Development Agent's Name:** _____
3. **Development Agent's State of Organization** (*if applicable*): _____
4. **Ownership of Development Agent** (Section 1(c)):

If the Development Agent is an Entity (as defined in the Agreement), the following persons constitute all of the owners of a legal and/or beneficial interest in the Development Agent:

Owner's Name and Address	Description of Interest	% of Ownership

6. **Territory:** _____
7. **DA Fee (Section 3(a)):** _____
8. **Development Agent's Postal & Email Address for Notices (Section 21(d)):** _____

9. **Development Schedule:** You must open and maintain in operation the following cumulative minimum number of Salons operating in the Territory as of the last day of each Development Period shown below:

DEVELOPMENT SCHEDULE

Development Period		No. of New Salons to be Opened in Territory by End of Development Period	Cumulative Number of Salons Operating in the Territory by End of Development Period
1	Effective Date to 1st Anniversary of the Effective Date		
2	Day after 1st Anniversary of the Effective Date to 2nd Anniversary of the Effective Date		
3	Day after 2nd Anniversary of the Effective Date to 3rd Anniversary of the Effective Date		
4	Day after 3rd Anniversary of the Effective Date to 4th Anniversary of the Effective Date		
5	Day after 4th Anniversary of the Effective Date to 5th Anniversary of the Effective Date		

10. Additional Terms; Inconsistent Terms (*if any*):

Intending to be bound, the parties to this Appendix now sign and deliver this Appendix in multiple counterparts:

WE: FANTASTIC SAMS FRANCHISE CORPORATION

YOU:

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

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

APPENDIX B
TO THE DEVELOPMENT AGENT AGREEMENT

OWNER'S GUARANTY

In consideration of, and as an inducement to, the execution by FANTASTIC SAMS FRANCHISE CORPORATION. (“**Franchisor**”) of that certain Fantastic Sams® Development Agent Agreement, dated _____ by and between _____ (“**Development Agent**”) and Franchisor (as the same from time to time may be amended, modified, extended or renewed, the “Development Agent Agreement”), the undersigned (collectively referred to as the “Guarantors” and individually referred to as a “Guarantor”) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Development Agent to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Development Agent Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the “**Guaranteed Liabilities**”). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Development Agent when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Development Agent Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Development Agent Agreement and this Guarantee.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Development Agent and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Development Agent or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Development Agent by operation of law, any reorganization, merger, or consolidation of Development Agent, or any change in the ownership of Development Agent.

3. Term; No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of (i) such time as all Guaranteed Liabilities of Development Agent to Franchisor and its affiliates have been paid and satisfied in full or (ii) the Development Agent Agreement and all obligations of Development Agent thereunder expire. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of Sections 10 (Transfer), 12 (Intellectual Property), 13 (Confidential Information), 14 (Non-Compete), and 17(a) (Indemnification) of the Development Agent Agreement as though each such Guarantor were the “Development Agent” named in the Development Agent Agreement. Each Guarantor agrees to take any and all actions as may be necessary or appropriate to cause Development Agent to comply with the Development Agent Agreement and will not take any action that would cause Development Agent to be in breach of the Development Agent Agreement.

5. Spousal Consent. Each of the Guarantors represents and warrants that, if no signature appears below for such undersigned’s spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate. By signing below, the undersigned spouse of the Guarantor indicated below (if the spouse is not himself/herself an owner of the Development Agent), acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor’s performance of this Guaranty. A spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse’s own separate property).

6. Business Entity. Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if the Development Agent (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor’s account) to its owners, accountholders or beneficiaries, for so long as such delinquency exists, subject to applicable law.

7. Dispute Resolution. Section 20 (Dispute Resolution) of the Development Agent Agreement is hereby incorporated herein by reference and will be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the “Development Agent” referred to in the Development Agent Agreement.

8. Miscellaneous. This Agreement will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

GUARANTOR(S)	SPOUSE(S)
#1: Signature: _____ Name: _____ Address: _____ _____ Email: _____	#1: Signature: _____ Name: _____ Address: _____ _____ Email: _____

#2: Signature: _____ Name: _____ Address: _____ _____ Email: _____	#2: Signature: _____ Name: _____ Address: _____ _____ Email: _____
--	--

Exhibit C:

LIST OF DEVELOPMENT AGENTS

1. R&S Corporate Enterprises LLC, a California limited liability company
Raquel A. Edwards
Shawn Edwards
25 Preston, Irvine CA 92618
rsecorporateenterprises@gmail.com

Territory is following counties in the State of California: Orange and Ventura.

Ms. Edwards has been an Owner of R&S Corporate Enterprises LLC based in Irvine, California since February 2023. She has also been the Senior Manager of ASSA ABLOY Americas since September 2021. Prior to that, she was a Client Partner of Slalom Consulting from January 2017 to June 2021.

Mr. Edwards has been a Partner of R&S Corporate Enterprises LLC based in Irvine, California since January 2023. He has also been Self Employed at Voter Impact Media since July 2022. Prior to that, he was Regional Sales Director for Premion based in Los Angeles, California from October 2018 to July 2022, and the Sales Director of Ampersand in Los Angeles, California from September 2022 to November 2022.

2. Second Shift Ventures Management LLC, a New Hampshire corporation
John D. Kile
Michael A. Wimmer
212 Lowell Rd
Hudson, NH 03051
john@ssvteam.com
michael@ssvteam.com

Territory is following counties in the State of Pennsylvania: LeHigh, Bucks, Montgomery. In the State of New Jersey: Somerset county.

3. FSTN LLC, a Tennessee limited liability corporation
Balasundaram Srinivasan
330 Franklin Road, Suite 124A
Brentwood, TN 37027
fstnllc@gmail.com

Territory is following counties in the State of Tennessee: Williamson, Davidson, Rutherford, Wilson, Sumner, Dickson, Montgomery, Maury, Bedford, Robertson, Cheatham, Hickman, Macon, Cannon, Smith, Trousdale, Marshall and Warren.

4. Base Eleven LLC
Dean K. Ahuja
9235 178th Street W.

Lakeville, MN 55044
Dkahuja34@gmail.com

Territory is following counties in the State of Minnesota: Goodhue, Rice, Blue Earth, Steele, Freeborn, Le Sueur, Waseca, Dodge, Mower, Olmstead and Dakota. In the State of Iowa: Polk, Story, Cerro Gordo and Dallas.

LIST OF FORMER DEVELOPMENT AGENTS

1. Stylistx, LLC, a Texas corporation
Jaine Yolidma Cantu
145 Diamond View Dr
La Vernia, TX 78121
(210) 709-3811

If you buy this franchise, your contact information will be disclosed to other Prospects.

Exhibit D: Franchise Corp Financial Statements

Fantastic Sams Franchise Corporation

(a wholly-owned subsidiary of Fantastic Sams

International Corporation)

Financial Statements

For the years ended December 31, 2023 and 2022

Fantastic Sams Franchise Corporation
(a wholly-owned subsidiary of Fantastic Sams International Corporation)

Contents

	<u>Pages</u>
Independent Auditor's Report	3-4
Financial Statements	
Balance Sheets	5-6
Statements of Operations	7
Statements of Shareholder's Equity	8
Statements of Cash Flows	9
Notes to Financial Statements	10-21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fantastic Sams Franchise Corporation
Woburn, Massachusetts

Opinion

We have audited the accompanying financial statements of Fantastic Sams Franchise Corporation which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fantastic Sams Franchise Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fantastic Sams Franchise Corporation 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 Fantastic Sams Franchise Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (continued)

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial 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 Fantastic Sams Franchise Corporation'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 Fantastic Sams Franchise Corporation'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.

Miami, Florida
April 15, 2024

Barclais CPA, LLC

Barclais CPA, LLC

Fantastic Sams Franchise Corporation

Balance Sheets As of December 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents (Note 1)	\$ 310,897	\$ 360,897
Restricted cash (Note 1)	311,230	282,732
Accounts receivable, net of allowance of \$53,652 and \$53,652, respectively (Note 1)	433,129	278,736
Intercompany receivables - current (Note 2)	18,097,916	17,911,788
Notes receivable - current portion (Note 1)	183,062	144,734
Inventory, net (Note 1)	-	-
Prepaid expenses and other current assets	<u>98,522</u>	<u>304,513</u>
Total current assets	19,434,756	19,283,400
Notes receivable, non-current (Note 1)	160,408	104,887
Property and equipment, net (Notes 1 and 4)	522,018	227,856
Operating leases right-of-use asset, (Notes 1 and 6)	431,239	485,000
Intangible assets, net (Notes 1 and 5)	8,832,336	10,555,406
Trademark (Notes 1 and 5)	24,208,836	24,213,099
Goodwill (Notes 1 and 5)	20,394,906	20,394,906
Security deposits	<u>29,596</u>	<u>30,966</u>
Total assets	<u><u>\$ 74,014,095</u></u>	<u><u>\$ 75,295,520</u></u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Balance Sheets As of December 31, 2023 and 2022

Liabilities and Stockholder's Equity

	<u>2023</u>	<u>2022</u>
Current liabilities		
Notes payable	\$ 477,056	\$ -
Intercompany payables - current (Note 2)	3,537,638	3,422,837
Deferred revenues (Note 1)	294,785	260,817
Operating lease liability (Note 6)	281,009	285,000
Accrued expenses and other current liabilities	<u>938,769</u>	<u>880,977</u>
Total current liabilities	5,529,257	4,849,631
Deferred taxes (Note 3)	5,962,319	6,645,202
Operating lease liability (Note 6)	158,233	200,000
Other long-term liabilities	<u>-</u>	<u>5,340</u>
Total Liabilities	11,649,809	11,700,173
Stockholder's Equity		
Common stock, \$0.01 par value; 100 shares authorized, issued and outstanding	1	1
Additional paid-in capital	48,992,950	48,992,952
Retained earnings	<u>13,371,335</u>	<u>14,602,394</u>
Total Stockholder's Equity	<u>62,364,286</u>	<u>\$ 63,595,347</u>
Total Liabilities and Stockholder's Equity	<u><u>\$ 74,014,095</u></u>	<u><u>\$ 75,295,520</u></u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Statements of Operations For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues (Note 1)	\$ 12,010,254	\$ 11,788,328
Cost of sales	<u>-</u>	<u>-</u>
Gross profit	12,010,254	11,788,328
Operating expenses		
Sales and marketing	804,163	450,105
General and administrative	6,520,795	7,328,435
Depreciation and amortization (Notes 1, 4 and 5)	<u>2,440,238</u>	<u>2,692,805</u>
Total operating expenses	<u>9,765,196</u>	<u>10,471,345</u>
Income from operations	2,245,058	1,316,983
Other income (expenses)		
Interest expense, net	(3,200,494)	(2,467,867)
Other expenses, net	<u>(820,480)</u>	<u>(532,243)</u>
Total other expenses, net	<u>(4,020,974)</u>	<u>(3,000,110)</u>
Income (loss) before income taxes	(1,775,916)	(1,683,127)
Provision for income taxes (Note 3)	<u>(544,855)</u>	<u>(475,015)</u>
Net income (loss)	<u>\$ (1,231,061)</u>	<u>\$ (1,208,112)</u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Statements of Stockholder's Equity For the years ended December 31, 2023 and 2022

	Common Stock, \$0.01 par value		Additional Paid-in capital		Retained earnings	Total stockholder's equity
	Shares	Amount				
Balance at December 31, 2021	100	\$ 1	\$ 48,992,952	\$ 15,810,506	\$	64,803,459
Net Income	-	-	-	\$ (1,208,112)	\$	(1,208,112)
Balance at December 31, 2022	100	\$ 1	\$ 48,992,952	\$ 14,602,394	\$	63,595,347
Net Loss				\$ (1,231,061)	\$	(1,231,061)
Balance at December 31, 2023	100	\$ 1	\$ 48,992,952	\$ 13,371,333	\$	62,364,286

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Statements of Cash Flows For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net income (loss)	\$ (1,231,061)	\$ (1,208,112)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,440,237	2,692,805
Bad debt reserve	-	32,298
Deferred taxes	(682,883)	50,000
Inventory reserve write-back	-	(2,000)
(Increase) decrease in:		
Accounts receivable - trade	(154,393)	(29,095)
Intercompany receivables	(186,128)	(1,104,629)
Other receivables		172,575
Inventories		19,323
Prepaid expenses and other current assets	205,991	(189,206)
Deposits	1,370	-
ROU assets	53,761	
Intercompany payables	114,801	(582,128)
Deferred revenues	33,968	74,380
Accrued expenses and other current liabilities	57,792	(189,592)
Other long-term liabilities	(51,098)	(7,037)
Net cash (used in) provided by operating activities	<u>602,357</u>	<u>(270,418)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(357,066)	(110,394)
Acquisition of intangibles	(650,000)	(151,264)
(Issuance) receipts of notes receivable	(93,849)	124,370
Net cash provided by (used in) investing activities	<u>(1,100,915)</u>	<u>(137,288)</u>
Net cash provided by financing activities	<u>477,056</u>	
Net increase (decrease) in cash and cash equivalents	(21,502)	(407,706)
Cash and cash equivalents - beginning of year	<u>643,629</u>	<u>1,051,335</u>
Cash and cash equivalents - end of year	<u><u>\$ 622,127</u></u>	<u><u>\$ 643,629</u></u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2023 and 2022

Note 1 **Summary of Significant Accounting Policies**

Business and Nature of Operations

Fantastic Sams Franchise Corporation (“FSFC” or the “Company”) owns and operates a three-tiered franchise system in which it licensed rights within geographic regions to regional Subfranchisors (“Regional Owners”) that in turn sub-license to individual Fantastic Sams franchisees (“Subfranchisees”) within their respective regions. FSFC no longer offers the opportunity to operate as a Fantastic Sams Subfranchisor. FSFC currently offers the opportunity to become a franchisee to develop and operate a Fantastic Sams salon. The Fantastic Sams brand was developed in 1974 and the franchise system is one of the largest hair care franchises in the United States. As of December 31, 2023 and 2022, there were 8 and 8 Subfranchisors operating in 13 and 13 states with 77 and 91 Subfranchisee salons, respectively. Systemwide there were 565 and 614 active domestic franchisee and subfranchisee (“Franchisees”) salons, respectively. FSFC does not offer franchises for salons in an area where a Subfranchisor operates.

The Company is a wholly-owned subsidiary of Fantastic Sams International Corporation (“FSIC” or “Parent Corp.”), which, as of December 31, 2023, was a wholly-owned subsidiary of Dessange Group North America, Inc. (“DGNA” or “Holding Company”).

The Company is subject to a number of risks that could affect future operations and financial performance. These risks include, but are not limited to, significant competition, dependence on key individuals, annual performance fluctuations, and failure to effectively manage changes in the Company’s business environment.

Use of Estimates

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

Revenue Recognition

Revenue consists of revenues from franchising activities and is recognized based on the term of the franchise agreements in accordance with ASC 952. Revenues from franchising activities include initial franchise fees, ongoing franchise fees and other royalty rebates based on product sales.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Note 1 Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Company is responsible for licensing Fantastic Sams franchise rights for geographic regions to Regional Owners. The license agreements with Regional Owners are generally for terms of 20 years.

The Company collects a weekly franchise fee from individual Franchisees in regions where the Company franchises directly with the Franchisees. The franchise fee is typically a fixed amount. The franchise agreements with Franchisees are generally for a 10 year term. The franchise license agreements require the Franchisees to pay an initial, non-refundable fee up to \$50,000.

Also, the Company collects a weekly royalty based on weekly franchise fees collected by Regional Owners and a monthly royalty based on a percentage of the average wholesale price for Fantastic Sams branded hair care products purchased by Franchisees from Regional Owners. Franchisees are required to purchase certain hair care products from the Company approved distributors. Product revenues are recognized in accordance with the agreements the Company maintains with the distributors.

Revenues from the license sale of franchise rights are generally recognized, net of an allowance for uncollectible amounts, when substantially all significant services to be provided by the Company to the Franchisees have been performed. Unrecognized amounts are reported net of related deferred commissions paid to parties for efforts in the sale of new licenses. In the case of multiple unit license sales, the Company recognizes 15% of the initial MUDA fees at the time the sale and the remaining balance of the fees over the term of the contracts.

On January 1, 2018, the Company adopted ASC 606 – Revenues from contracts with customers using the modified retrospective method. The Company generates revenue from multiple unit development agreements (MUDA) that allow franchisees to open Fantastic Sams hair salons. The Company recorded a net decrease in retained earnings of \$847,352 as of January 1, 2018 due to the cumulative effect of adopting ASC 606.

The Company also sponsors training, educational classes and other events from time to time. Revenue from these events is deferred until the event has occurred.

For the years ended December 31,	2023	2022
Franchise fees	\$ 9,600,563	\$ 9,887,919
Initial franchise fees	528,189	397,096
Other revenues	1,881,502	1,503,313
Total revenues	\$ 12,010,254	\$ 11,788,328

Fantastic Sams Franchise Corporation**Notes to the Financial Statements
For the years ended December 31, 2023 and 2022****Note 1** **Summary of Significant Accounting Policies (continued)****Cash and Cash Equivalents**

The Company considers all highly liquid investments with an initial maturity date of three months or less, when purchased, to be cash equivalents. Additionally, as of December 31, 2023 and 2022, the Company had \$311,230 and \$282,732 respectively, classified as restricted cash related to the sale of gift certificates. For the restricted cash, there is a corresponding offset in accrued expenses and other current liabilities on the accompanying balance sheets.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. The Company invests a portion of its cash and cash equivalents with certain accredited financial institutions which management believes to have strong credit ratings. As of December 31, 2023, and 2022, the Company had bank balances exceeding the federally insured limit of \$250,000 of \$900,088 and \$110,466, respectively.

Concentrations of credit risk with respect to accounts receivable are limited due to the credit worthiness of customers comprising the Company's customer base. Management regularly monitors the credit worthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Accounts and Notes Receivable

The Company's accounts and notes receivable are due from Regional Owners and Franchisees. The Company reviews their credit history before extending credit and, generally, collateral is not required. The Company establishes any allowances for doubtful accounts based upon the credit risk, historical trends and other information of specific borrowers. The Company writes off accounts receivable when they are deemed uncollectible.

Inventory

Inventory consists primarily of finished goods including products to be sold to the end customers.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2023 and 2022

Note 1 **Summary of Significant Accounting Policies (continued)**

Property and Equipment

Property and equipment, including leasehold improvements, are stated at cost or their approximate fair values if obtained through an acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from two to five years. Leasehold improvements are depreciated using the straight-line method over the estimated useful life of the asset or the term of the lease, whichever is shorter.

Maintenance and repairs are expensed when incurred. Significant renewals and betterments are capitalized in accordance with the Company's capitalization policy.

Goodwill

Goodwill represents the excess purchase price over the identifiable assets acquired and liabilities assumed. The Company is required to evaluate goodwill and other intangible assets not subject to amortization for impairment at least annually or when circumstances indicate the carrying value of the goodwill or other intangible assets may be impaired. The Company does not believe that goodwill is impaired as of December 31, 2023 and 2022.

Other Intangible and Long-Lived Assets

Other intangible assets consist primarily of covenants to not compete, contractual rights and licenses. Intangible assets are recorded apart from goodwill if they arise from a contractual right and are capable of being separated from the entity and sold, transferred, licensed, rented or exchanged individually. The useful life and amortization methodology of intangible assets are determined based on the period in which they are expected to contribute directly to cash flows. Intangible assets that are determined to have a definite life are amortized over their estimated useful lives as follows:

Non-compete covenants	2-3 years
Contractual rights	10-20 years
Licenses	15 years

Long-lived assets, other than goodwill, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets are written down to fair value. The Company did not record any impairment losses during the years ended December 31, 2023 and 2022.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2023 and 2022

Note 1 **Summary of Significant Accounting Policies (continued)**

Fair Value Measurements

The Company follows the provisions of ASC 820 Fair Value Measurement which defines fair value, establishes a framework for measuring fair value in accordance with US GAAP and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 - Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.

Level 3 - Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Cash equivalents consist of money market funds. The fair value measurements of money market funds are classified as Level 1 as they are based on quoted market prices in active markets.

At December 31, 2023, and 2022, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximated their estimated fair values because of the short maturity of these financial instruments.

Income Taxes

The Company accounts for income taxes using the asset and liability method. This method generally provides that deferred tax assets and liabilities be recognized for temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. A valuation allowance is required to reduce the potential deferred tax asset when it is more likely than not that all or some portion of the potential deferred tax asset will not be realized. The impact on deferred taxes of changes in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period of enactment.

Fantastic Sams Franchise Corporation**Notes to the Financial Statements
For the years ended December 31, 2023 and 2022****Note 1** **Summary of Significant Accounting Policies (continued)****Income Taxes (continued)**

The Company follows the provisions of ASC 740-10-25 which clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. ASC 740- 10-25 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting for interim periods and disclosures for uncertain tax positions.

The Company's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statement of operations. For the years ended December 31, 2023 and 2022, there were no uncertain tax positions and no estimated interest or penalties were recognized.

In accordance with an Accounting Standards Update issued by the Financial Accounting Standards Board in 2015, the Company has classified all deferred tax amounts as a non-current as of December 31, 2023 and 2022.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2023 and 2022 were \$170,714 and \$175,383, respectively, with digital advertising being the most significant medium purchased in each year.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentations.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Note 2 **Intercompany Transactions**

Transactions between and among related parties occur in the normal course of business. These transactions can relate to revenue or expense items reported in the Company's statements of operations for the years presented, or cash concentrations, inventory purchases and other balance sheet transactions. DGNA uses centralized treasury and payment distribution functions for all its subsidiaries. These functions are performed by FSIC. This arrangement results in due-to-FSIC or due from-FSIC balances on the Company's books at the end of each reporting period. All intercompany activities flow from individual entities within the group through FSIC and to the recipient. The result is a vertical intercompany relationship rather than a horizontal (entity to entity) relationship. This allows the centralization of treasury and disbursements.

As of December 31, 2023 and 2022, intercompany balances were as follows:

	2023	2022
Intercompany receivables – current:		
Intercompany receivables – FSIC	\$ 18,097,916	\$ 17,911,788
Total intercompany receivables – current	18,097,916	17,911,788
Intercompany payables – current:		
Income tax payable – DGNA	3,537,638	3,422,837
Total intercompany payables – current	\$ 3,537,638	\$ 3,422,837

For the years ended December 31, 2023 and 2022, intercompany transactions were as follows:

	2023	2022
DGNA - Interest expense	\$ 3,200,494	\$ 2,467,867

Note 3 **Income Taxes**

The Company and its affiliates file a consolidated U.S. federal tax return. As such, the Company applies the separate return method for purposes of calculating each affiliate's provision for income taxes. The individual affiliate's current and deferred tax provision is first calculated on a stand alone basis, and the results are then combined to derive the consolidated tax provision

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2023 and 2022

Note 3 **Income Taxes (continued)**

For the years ended December 31, 2023 and 2022, the provision for income taxes was as follows:

December 31,	2023	2022
Current taxes – Federal	\$ 130,000	\$ (525,015)
Current taxes – States	8,028	-
Deferred taxes	(682,883)	50,000
Provision for Income Taxes	\$ (544,855)	\$ (475,015)

For the years ended December 31, 2023 and 2022, the components of the net deferred tax liability were as follows:

December 31,	2023	2022
Bad debt allowance	\$ 58,219	\$ 15,000
Accrued compensation	52,953	40,000
Deferred revenues	-	-
Deferred rent	-	-
Other timing differences	902,490	-
Depreciation and Amortization	(6,975,981)	(6,700,202)
	\$ (5,962,319)	\$ (6,645,202)

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2023 and 2022

Note 4 **Property and Equipment**

Property and equipment consist of the following:

December 31,	2023	2022
Computer equipment	\$ 428,975	\$ 401,720
Computer software	1,429,824	1,423,785
Furniture and fixtures	254,447	254,447
Signage	14,679	14,679
Leasehold improvements	283,318	283,318
Construction in process	413,383	89,611
Total	\$ 2,824,626	\$ 2,467,560
Less accumulated depreciation	\$ (2,302,608)	\$ (2,239,704)
Property and Equipment, net	\$ 522,018	\$ 227,856

Depreciation expense for the years ended December 31, 2023 and 2022 was \$62,904 and \$95,849, respectively.

Note 5 **Intangible Assets, Trademark and Goodwill**

Allocated intangible assets consist of the following:

December 31,	2023	2022
Non-compete agreements	\$ 375,224	\$ 369,224
Accumulated amortization	(370,554)	(367,804)
	4,670	1,420
Contractual rights	12,775,477	12,769,737
Accumulated amortization	(10,720,238)	(9,772,515)
	2,055,239	2,997,222
Licenses & other	19,614,478	18,976,218
Accumulated amortization	(12,842,051)	(11,419,454)
	6,772,427	7,556,764
Total Intangible Assets, net	\$ 8,832,336	\$ 10,555,406

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2023 and 2022

Note 5 Intangible Assets, Trademark and Goodwill (continued)

Intangible assets are being amortized over their respective useful lives ranging from 10 to 20 years.

The Company recorded amortization expense relating to intangible assets for the years ended December 31, 2023 and 2022 of \$2,377,333 and \$2,592,685 respectively.

As of December 31, 2023, the following is a schedule of future amortization of intangible assets:

Fiscal years ending December 31,	Amount
2024	\$ 2,045,338
2025	2,038,582
2026	1,969,964
Thereafter	2,209,749
Total	\$ 8,263,633

Other Intangible assets as of December 31, 2023 and 2022 consist of the following:

December 31,	2023	2022
Trademark	\$ 24,244,874	\$ 24,244,874
Accumulated amortization	(36,038)	(31,775)
Total Other Intangible Assets, net	\$ 24,208,836	\$ 24,213,099

As of December 31, 2023 and 2022, goodwill consists of the following:

Goodwill acquired in connection with acquisition of FSHC - January 12, 2012	\$ 14,765,264
Goodwill acquired in connection with Ely Region acquisition	812,000
Goodwill acquired in connection with W&T Region acquisition	396,339
Goodwill acquired in connection with Walmax acquisition	120,000
Goodwill acquired in connection with Global Franchising Group acquisition	204,000
Goodwill acquired in connection with Copeland region acquisition	1,359,000
Goodwill acquired in connection with FSRM region acquisition	2,666,303
Goodwill acquired in connection with McCall region acquisition	72,000
Total Goodwill	\$ 20,394,906

There were no changes in goodwill from the date of purchase through December 31, 2023.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2023 and 2022

Note 6 Leases

The Company adopted the new lease standard under ASC 842 using the modified retrospective approach on January 1, 2022. The Company made an accounting policy election to not recognize an asset and a liability for existing leases with a remaining term of 12 months or less.

	Year Ending 2023-12
Lease expense	
Finance lease expense	
Amortization of ROU assets	-
Interest on lease liabilities	-
Operating lease expense	374,579
Variable lease expense	-
Total	374,579

Other Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e. Interest)	-
Financing cash flows from finance leases (i.e. principal portion)	-
Operating cash flows from operating leases	380,217
ROU assets obtained in exchange for new finance lease liabilities	-
ROU assets obtained in exchange for new operating lease liabilities	278,047
Weighted-average remaining lease term in years for finance leases	-
Weighted-average remaining lease term in years for operating leases	2
Weighted-average discount rate for finance leases	-
Weighted-average discount rate for operating leases	0

Maturity Analysis	Finance	Operating
2024-12	-	289,792
2025-12	-	75,534
2026-12	-	48,810
2027-12	-	37,805
2028-12	-	3,158
Thereafter	-	-
Total undiscounted cash flows	-	455,099
Less: present value discount	-	(15,857)
Total lease liabilities	-	439,242

Fantastic Sams Franchise Corporation

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Note 7 **Commitments and Contingencies**

The Company is involved in a lawsuit with Transom Symphony OpCo, LLC d/b/a Beauty Quest Group in 2023. Fantastic Sams Franchise Corporation vs. Transom Symphony OpCo, LLC d/b/a Beauty Quest Group: Civil Docket No. 2381CV00865, Middlesex Superior Court, Massachusetts, filed on March 27, 2023. Plaintiff, Fantastic Sams Franchise Corporation (FSFC) filed this claim against Transom Symphony OpCo, LLC d/b/a Beauty Quest Group (BQG) on March 27, 2023. The complaint is being brought for claims of breach of contract, breach of warranty, breach of the covenant of good faith and fair dealing, violation of the Massachusetts and Connecticut Unfair Trade Practices Statutes and fraudulent inducement. This stems from a License, Production and Fulfilment Agreement dated September 23, 2021, between the parties. On May 31, 2023, BQG filed a counterclaim in this case against FSFC for breach of contract, breach of covenant of good faith and fair dealing, tortious interference with contractual and business relations, violation of Connecticut Unfair Trade Practices Act and violation of Massachusetts General Laws Chapter 93A. The parties are currently at the discovery stage of the proceedings, and a trial date has not yet been set.

Note 8 **Employee Retirement Plan**

The Fantastic Sams 401(k) Profit Sharing Plan (the “401(k) Plan”) is a qualified defined contribution plan in accordance with Section 401(k) of the Internal Revenue Code. All employees over the age of 21 may begin contributing on the first day of the month following their completion of twelve full months of service or any time thereafter. Eligible employees can make pretax contributions up to the maximum allowable by Code Section 401(k). The Company may make matching contributions equal to a discretionary percentage of the employee’s salary deductions, to be determined by the Company. For the years ended December 31, 2023 and 2022, the Company made matching contributions of \$73,481 and \$49,363 , respectively.

Note 9 **Assets Pledged as Collateral**

As of December 31, 2023 and 2022, Dessange Group North America, Inc. has related party notes payable. The notes are collateralized by substantially all of the assets of DGNA and its subsidiaries including the assets of the Company.

Note 10 **Subsequent Events**

The company evaluated all events or transactions that occurred after December 31, 2023 through April 15, 2024, the date these financial statements were available to be issued. No significant event occurred during the period from December 31, 2023 to April 15, 2024

Fantastic Sams Franchise Corporation
(a wholly-owned subsidiary of Fantastic Sams
International Corporation)

Financial Statements
For the years ended December 31, 2022 and 2021

Fantastic Sams Franchise Corporation
(a wholly-owned subsidiary of Fantastic Sams International Corporation)

Contents

	<u>Pages</u>
Independent Auditor's Report	3-4
Financial Statements	
Balance Sheets	5-6
Statements of Operations	7
Statements of Shareholder's Equity	8
Statements of Cash Flows	9
Notes to Financial Statements	10-21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fantastic Sams Franchise Corporation
Woburn, Massachusetts

Opinion

We have audited the accompanying financial statements of Fantastic Sams Franchise Corporation which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fantastic Sams Franchise Corporation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fantastic Sams Franchise Corporation 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 Fantastic Sams Franchise Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT
(continued)

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial 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 Fantastic Sams Franchise Corporation'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 Fantastic Sams Franchise Corporation'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.

Miami, Florida
April 26, 2023

Barclais CPA, LLC

Barclais CPA, LLC

Fantastic Sams Franchise Corporation

Balance Sheets As of December 31, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents (Note 1)	\$ 360,897	\$ 775,053
Restricted cash (Note 1)	282,732	276,282
Accounts receivable, net of allowance of \$53,652 and \$40,385, respectively (Note 1)	278,736	454,514
Intercompany receivables - current (Note 2)	17,911,788	16,807,159
Notes receivable - current portion (Note 1)	144,734	148,451
Inventory, net (Note 1)	-	17,323
Prepaid expenses and other current assets	<u>304,513</u>	<u>115,307</u>
Total current assets	19,283,400	18,594,089
Notes receivable, non-current (Note 1)	104,887	225,540
Property and equipment, net (Notes 1 and 4)	227,856	213,310
Operating leases right-of-use asset, (Notes 1 and 6)	485,000	-
Intangible assets, net (Notes 1 and 5)	10,555,406	12,998,091
Trademark (Notes 1 and 5)	24,213,099	24,216,107
Goodwill (Notes 1 and 5)	20,394,906	20,394,906
Security deposits	<u>30,966</u>	<u>30,966</u>
Total assets	<u><u>\$ 75,295,520</u></u>	<u><u>\$ 76,673,009</u></u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Balance Sheets As of December 31, 2022 and 2021

Liabilities and Stockholder's Equity

	<u>2022</u>	<u>2021</u>
Current liabilities		
Intercompany payables - current (Note 2)	\$ 3,422,837	\$ 4,004,965
Deferred revenues (Note 1)	260,817	186,437
Operating lease liability (Note 6)	285,000	-
Accrued expenses and other current liabilities	880,977	1,070,569
	<hr/>	<hr/>
Total current liabilities	4,849,631	5,261,971
Deferred taxes (Note 3)	6,645,202	6,595,202
Operating lease liability (Note 6)	200,000	-
Other long-term liabilities	5,340	12,377
	<hr/>	<hr/>
Total Liabilities	11,700,173	11,869,550
Stockholder's Equity		
Common stock, \$0.01 par value; 100 shares authorized, issued and outstanding	1	1
Additional paid-in capital	48,992,952	48,992,952
Retained earnings	14,602,394	15,810,506
	<hr/>	<hr/>
Total Stockholder's Equity	\$ 63,595,347	\$ 64,803,459
	<hr/>	<hr/>
Total Liabilities and Stockholder's Equity	<u><u>\$ 75,295,520</u></u>	<u><u>\$ 76,673,009</u></u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Statements of Operations For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues (Note 1)	\$ 11,788,328	\$ 13,217,164
Cost of sales	<u>-</u>	<u>1,000</u>
Gross profit	11,788,328	13,216,164
Operating expenses		
Sales and marketing	450,105	395,667
General and administrative	7,328,435	6,269,768
Depreciation and amortization (Notes 1, 4 and 5)	<u>2,692,805</u>	<u>2,806,985</u>
Total operating expenses	<u>10,471,345</u>	<u>9,472,420</u>
Income from operations	1,316,983	3,743,744
Other income (expenses)		
Interest expense, net	(2,467,867)	(2,272,023)
Other expenses, net	<u>(532,243)</u>	<u>(101,467)</u>
Total other expense, net	<u>(3,000,110)</u>	<u>(2,373,490)</u>
Income (loss) before income taxes	(1,683,127)	1,370,254
Provision for income taxes (Note 3)	<u>(475,015)</u>	<u>400,000</u>
Net income (loss)	<u><u>\$ (1,208,112)</u></u>	<u><u>\$ 970,254</u></u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Statements of Stockholder's Equity For the years ended December 31, 2022 and 2021

	Common Stock, \$0.01 par value		Additional Paid-in capital		Retained earnings	Total stockholder's equity
	Shares	Amount				
Balance at December 31, 2020	100	\$ 1	\$	48,992,952	\$14,840,252	\$ 63,833,205
Net Income	-	-	-	\$	970,254	\$ 970,254
Balance at December 31, 2021	100	\$ 1	\$	48,992,952	\$15,810,506	\$ 64,803,459
Net Loss					\$ (1,208,112)	\$ (1,208,112)
Balance at December 31, 2022	100	\$ 1	\$	48,992,952	\$14,602,394	\$ 63,595,347

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Statements of Cash Flows For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Net income (loss)	\$ (1,208,112)	\$ 970,254
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,692,805	2,806,986
Bad debt reserve	32,298	(19,031)
Deferred taxes	50,000	150,000
Inventory reserve write-back	(2,000)	-
(Increase) decrease in:		
Accounts receivable - trade	(29,095)	72,722
Intercompany receivables	(1,104,629)	(4,159,891)
Other receivable	172,575	-
Inventories	19,323	40
Prepaid expenses and other current assets	(189,206)	3,409
Deposits	-	25,337
Increase (decrease) in:		
Intercompany payables	(582,128)	138,109
Deferred revenues	74,380	(102,254)
Accrued expenses and other current liabilities	(189,592)	80,248
Other long-term liabilities	(7,037)	(3,717)
Net cash (used in) provided by operating activities	<u>(270,418)</u>	<u>(37,788)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(110,394)	(115,939)
Acquisition of intangible assets	(150,000)	-
Acquisition of trademarks	(1,264)	(4,755)
(Issuance) receipts of notes receivable	124,370	(91,357)
Net cash provided by (used in) investing activities	<u>(137,288)</u>	<u>(212,051)</u>
Net increase (decrease) in cash and cash equivalent	(407,706)	(249,839)
Cash and cash equivalent - beginning of period	<u>1,051,335</u>	<u>1,301,174</u>
Cash and cash equivalent - end of period	<u><u>\$ 643,629</u></u>	<u><u>\$ 1,051,335</u></u>

See accompanying notes to financial statements.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies**

Business and Nature of Operations

Fantastic Sams Franchise Corporation (“FSFC” or the “Company”) owns and operates a three-tiered franchise system in which it licensed rights within geographic regions to regional Subfranchisors (“Regional Owners”) that in turn sub-license to individual Fantastic Sams franchisees (“Subfranchisees”) within their respective regions. FSFC no longer offers the opportunity to operate as a Fantastic Sams Subfranchisor. FSFC currently offers the opportunity to become a franchisee to develop and operate a Fantastic Sams salon. The Fantastic Sams brand was developed in 1974 and the franchise system is one of the largest hair care franchises in the United States. As of December 31, 2022 and 2021, there were 8 and 9 Subfranchisors operating in 13 and 14 states with 91 and 97 Subfranchisee salons, respectively. Systemwide there were 614 and 701 active domestic franchisee and subfranchisee (“Franchisees”) salons, respectively. FSFC does not offer franchises for salons in an area where a Subfranchisor operates.

The Company is a wholly-owned subsidiary of Fantastic Sams International Corporation (“FSIC” or “Parent Corp.”), which, as of December 31, 2022, was a wholly-owned subsidiary of Dessange Group North America, Inc. (“DGNA” or “Holding Company”).

The Company is subject to a number of risks that could affect future operations and financial performance. These risks include, but are not limited to, significant competition, dependence on key individuals, annual performance fluctuations, and failure to effectively manage changes in the Company’s business environment.

Use of Estimates

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

Revenue Recognition

Revenue consists of revenues from franchising activities and is recognized based on the term of the franchise agreements in accordance with ASC 952. Revenues from franchising activities include initial franchise fees, ongoing franchise fees and other royalty rebates based on product sales.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Company is responsible for licensing Fantastic Sams franchise rights for geographic regions to Regional Owners. The license agreements with Regional Owners are generally for terms of 20 years.

The Company collects a weekly franchise fee from individual Franchisees in regions where the Company franchises directly with the Franchisees. The franchise fee is typically a fixed amount. The franchise agreements with Franchisees are generally for a 10 year term. The franchise license agreements require the Franchisees to pay an initial, non-refundable fee up to \$50,000.

Also, the Company collects a weekly royalty based on weekly franchise fees collected by Regional Owners and a monthly royalty based on a percentage of the average wholesale price for Fantastic Sams branded hair care products purchased by Franchisees from Regional Owners. Franchisees are required to purchase certain hair care products from the Company approved distributors. Product revenues are recognized in accordance with the agreements the Company maintains with the distributors.

Revenues from the license sale of franchise rights are generally recognized, net of an allowance for uncollectible amounts, when substantially all significant services to be provided by the Company to the Franchisees have been performed. Unrecognized amounts are reported net of related deferred commissions paid to parties for efforts in the sale of new licenses. In the case of multiple unit license sales, the Company recognizes 15% of the initial MUDA fees at the time the sale and the remaining balance of the fees over the term of the contracts.

On January 1, 2018, the Company adopted ASC 606 – Revenues from contracts with customers using the modified retrospective method. The Company generates revenue from multiple unit development agreements (MUDA) that allow franchisees to open Fantastic Sams hair salons. The Company recorded a net decrease in retained earnings of \$847,352 as of January 1, 2018 due to the cumulative effect of adopting ASC 606.

The Company also sponsors training, educational classes and other events from time to time. Revenue from these events is deferred until the event has occurred.

For the years ended December 31,	2022	2021
Franchise fees	\$ 9,887,919	\$ 11,145,000
Initial franchise fees	397,096	88,594
Other revenues	1,503,313	1,983,570
Total revenues	\$ 11,788,328	\$ 13,217,164

Fantastic Sams Franchise Corporation**Notes to the Financial Statements
For the years ended December 31, 2022 and 2021****Note 1** **Summary of Significant Accounting Policies (continued)****Cash and Cash Equivalents**

The Company considers all highly liquid investments with an initial maturity date of three months or less, when purchased, to be cash equivalents. Additionally, as of December 31, 2022 and 2021, the Company had \$282,732 and \$276,282 respectively, classified as restricted cash related to the sale of gift certificates. For the restricted cash, there is a corresponding offset in accrued expenses and other current liabilities on the accompanying balance sheets.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. The Company invests a portion of its cash and cash equivalents with certain accredited financial institutions which management believes to have strong credit ratings. As of December 31, 2022, and 2021, the Company had bank balances exceeding the federally insured limit of \$250,000 of \$110,466 and \$524,622 respectively.

Concentrations of credit risk with respect to accounts receivable are limited due to the credit worthiness of customers comprising the Company's customer base. Management regularly monitors the credit worthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Accounts and Notes Receivable

The Company's accounts and notes receivable are due from Regional Owners and Franchisees. The Company reviews their credit history before extending credit and, generally, collateral is not required. The Company establishes any allowances for doubtful accounts based upon the credit risk, historical trends and other information of specific borrowers. The Company writes off accounts receivable when they are deemed uncollectible.

Inventory

Inventory consists primarily of finished goods including products to be sold to the end customers.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 1 Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment, including leasehold improvements, are stated at cost or their approximate fair values if obtained through an acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from two to five years. Leasehold improvements are depreciated using the straight-line method over the estimated useful life of the asset or the term of the lease, whichever is shorter.

Maintenance and repairs are expensed when incurred. Significant renewals and betterments are capitalized in accordance with the Company's capitalization policy.

Goodwill

Goodwill represents the excess purchase price over the identifiable assets acquired and liabilities assumed. The Company is required to evaluate goodwill and other intangible assets not subject to amortization for impairment at least annually or when circumstances indicate the carrying value of the goodwill or other intangible assets may be impaired. The Company does not believe that goodwill is impaired as of December 31, 2022 and 2021.

Other Intangible and Long-Lived Assets

Other intangible assets consist primarily of covenants to not compete, contractual rights and licenses. Intangible assets are recorded apart from goodwill if they arise from a contractual right and are capable of being separated from the entity and sold, transferred, licensed, rented or exchanged individually. The useful life and amortization methodology of intangible assets are determined based on the period in which they are expected to contribute directly to cash flows. Intangible assets that are determined to have a definite life are amortized over their estimated useful lives as follows:

Non-compete covenants	2-3 years
Contractual rights	10-20 years
Licenses	15 years

Long-lived assets, other than goodwill, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets are written down to fair value. The Company did not record any impairment losses during the years ended December 31, 2022 and 2021.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 1 **Summary of Significant Accounting Policies (continued)**

Fair Value Measurements

The Company follows the provisions of ASC 820 Fair Value Measurement which defines fair value, establishes a framework for measuring fair value in accordance with US GAAP and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 - Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.

Level 3 - Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Cash equivalents consist of money market funds. The fair value measurements of money market funds are classified as Level 1 as they are based on quoted market prices in active markets.

At December 31, 2022, and 2021, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximated their estimated fair values because of the short maturity of these financial instruments.

Income Taxes

The Company accounts for income taxes using the asset and liability method. This method generally provides that deferred tax assets and liabilities be recognized for temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. A valuation allowance is required to reduce the potential deferred tax asset when it is more likely than not that all or some portion of the potential deferred tax asset will not be realized. The impact on deferred taxes of changes in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period of enactment.

Fantastic Sams Franchise Corporation**Notes to the Financial Statements
For the years ended December 31, 2022 and 2021****Note 1** **Summary of Significant Accounting Policies (continued)****Income Taxes (continued)**

The Company follows the provisions of ASC 740-10-25 which clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. ASC 740-10-25 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting for interim periods and disclosures for uncertain tax positions.

The Company's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statement of operations. For the years ended December 31, 2022 and 2021, there were no uncertain tax positions and no estimated interest or penalties were recognized.

In accordance with an Accounting Standards Update issued by the Financial Accounting Standards Board in 2015, the Company has classified all deferred tax amounts as a non-current as of December 31, 2022 and 2021.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were \$175,383 and \$241,761, respectively, with digital advertising being the most significant medium purchased in each year.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentations.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 2 Intercompany Transactions

Transactions between and among related parties occur in the normal course of business. These transactions can relate to revenue or expense items reported in the Company's statements of operations for the years presented, or cash concentrations, inventory purchases and other balance sheet transactions. DGNA uses centralized treasury and payment distribution functions for all its subsidiaries. These functions are performed by FSIC. This arrangement results in due-to-FSIC or due from-FSIC balances on the Company's books at the end of each reporting period. All intercompany activities flow from individual entities within the group through FSIC and to the recipient. The result is a vertical intercompany relationship rather than a horizontal (entity to entity) relationship. This allows the centralization of treasury and disbursements.

As of December 31, 2022 and 2021, intercompany balances were as follows:

	2022	2021
Intercompany receivables – current:		
Intercompany receivables – FSIC	\$ 17,911,788	\$ 16,807,159
Total intercompany receivables – current	17,911,788	16,807,159
Intercompany payables – current:		
Income tax payable – DGNA	3,422,837	4,004,965
Total intercompany payables – current	\$ 3,422,837	\$ 4,004,965

For the years ended December 31, 2022 and 2021, intercompany transactions were as follows:

	2022	2021
DGNA - Interest expense	\$ 2,467,867	\$ 2,272,023

Note 3 Income Taxes

The Company and its affiliates file a consolidated U.S. federal tax return. As such, the Company applies the separate return method for purposes of calculating each affiliate's provision for income taxes. The individual affiliate's current and deferred tax provision is first calculated on a stand alone basis, and the results are then combined to derive the consolidated tax provision

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 3 Income Taxes (continued)

For the years ended December 31, 2022 and 2021, the provision for income taxes was as follows:

December 31,	2022	2021
Current taxes – Federal	\$ (525,015)	\$ 160,000
Current taxes – States	-	90,000
Deferred taxes	50,000	150,000
Provision for Income Taxes	\$ (475,015)	\$ 400,000

For the years ended December 31, 2022 and 2021, the components of the net deferred tax assets were as follows:

December 31,	2022	2021
Deferred tax assets:		
Bad debt allowance	\$ 15,000	\$ 19,554
Accrued compensation	40,000	33,310
Deferred revenues	-	2,811
Deferred rent	-	3,479
Other timing differences	-	562
Depreciation and Amortization	(6,700,202)	(6,654,918)
	\$ (6,645,202)	\$ (6,595,202)

The company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2019.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 4 **Property and Equipment**

Property and equipment consist of the following:

December 31,	2022	2021
Computer equipment	\$ 401,720	\$ 401,720
Computer software	1,423,785	1,403,002
Furniture and fixtures	254,447	254,447
Signage	14,679	14,679
Leasehold improvements	283,318	283,318
Construction in process	89,611	-
Total	\$ 2,467,560	\$ 2,357,166
Less accumulated depreciation	(2,239,704)	(2,143,856)
Property and Equipment, net	\$ 227,856	\$ 213,310

Depreciation expense for the years ended December 31, 2022 and 2021 was \$95,849 and \$200,428, respectively.

Note 5 **Intangible Assets, Trademark and Goodwill**

Allocated intangible assets consist of the following:

December 31,	2022	2021
Non-compete agreements	\$ 369,224	\$ 367,224
Accumulated amortization	(367,804)	(367,221)
	1,420	3
Contractual rights	12,769,737	12,768,737
Accumulated amortization	(9,772,515)	(8,800,079)
	2,997,222	3,968,658
Licenses & other	18,976,218	18,829,218
Accumulated amortization	(11,419,454)	(9,799,788)
	7,556,764	9,029,430
Total Intangible Assets, net	\$ 10,555,406	\$ 12,998,091

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 5 Intangible Assets, Trademark and Goodwill (continued)

Intangible assets are being amortized over their respective useful lives ranging from 10 to 20 years.

The Company recorded amortization expense relating to intangible assets for the years ended December 31, 2022 and 2021 of \$2,592,685 and \$2,606,557 respectively.

As of December 31, 2022, the following is a schedule of future amortization of intangible assets:

Fiscal years ending December 31,	Amount
2023	\$ 2,291,773
2024	2,045,338
2025	2,038,582
2026	1,969,964
Thereafter	2,209,749
Total	\$ 10,555,406

Other Intangible assets as of December 31, 2022 and 2021 consist of the following:

December 31,	2022	2021
Trademark	\$ 24,244,874	\$ 24,243,610
Accumulated amortization	(31,775)	(27,503)
Total Other Intangible Assets, net	\$ 24,213,099	\$ 24,216,107

As of December 31, 2022 and 2021, goodwill consists of the following:

Goodwill acquired in connection with acquisition of FSHC - January 12, 2012	\$ 14,765,264
Goodwill acquired in connection with Ely Region acquisition	812,000
Goodwill acquired in connection with W&T Region acquisition	396,339
Goodwill acquired in connection with Walmax acquisition	120,000
Goodwill acquired in connection with Global Franchising Group acquisition	204,000
Goodwill acquired in connection with Copeland region acquisition	1,359,000
Goodwill acquired in connection with FSRM region acquisition	2,666,303
Goodwill acquired in connection with McCall region acquisition	72,000
Total Goodwill	\$ 20,394,906

There were no changes in goodwill from the date of purchase through December 31, 2022.

Fantastic Sams Franchise Corporation

Notes to the Financial Statements For the years ended December 31, 2022 and 2021

Note 6 Leases

The Company adopted the new lease standard under ASC 842 using the modified retrospective approach on January 1, 2022. The Company made an accounting policy election to not recognize an asset and a liability for existing leases with a remaining term of 12 months or less.

Future minimum lease payments on the operating lease liabilities are estimated as follows:

Fiscal years ending December 31,	
2023	285,000
2024	185,000
2025	10,000
2026	5,000
Thereafter	-
Total	485,000

Operating lease expense was \$431,000 and \$319,000 for the years ended December 31, 2022 and 2021, respectively.

Fantastic Sams Franchise Corporation**Notes to the Financial Statements****For the years ended December 31, 2022 and 2021****Note 7** **Commitments and Contingencies**

From time-to-time, the Company is involved in various legal proceedings. Although the Company is unable to quantify the exact financial impact of these matters, it believes that none of the currently pending matters will have an outcome material to the financial condition or business.

Note 8 **Employee Retirement Plan**

The Fantastic Sams 401(k) Profit Sharing Plan (the “401(k) Plan”) is a qualified defined contribution plan in accordance with Section 401(k) of the Internal Revenue Code. All employees over the age of 21 may begin contributing on the first day of the month following their completion of twelve full months of service or any time thereafter. Eligible employees can make pretax contributions up to the maximum allowable by Code Section 401(k). The Company may make matching contributions equal to a discretionary percentage of the employee’s salary deductions, to be determined by the Company. For the years ended December 31, 2022 and 2021, the Company made matching contributions of \$49,363 and \$57,426 , respectively.

Note 9 **Assets Pledged as Collateral**

As of December 31, 2022 and 2021, Dessange Group North America, Inc. has related party notes payable. The notes are collateralized by substantially all of the assets of DGNA and its subsidiaries including the assets of the Company.

Note 10 **Subsequent Events**

The company evaluated all events or transactions that occurred after December 31, 2022 through April 26, 2023, the date these financial statements were available to be issued. No significant event occurred during the period from December 31, 2022 to April 26, 2023

Exhibit E: General Release

GENERAL RELEASE LANGUAGE

FANTASTIC SAMS FRANCHISE CORPORATION (“we,” “us,” or “our”) and the undersigned Development Agent (“you” or “your”), currently are parties to a certain Development Agent Agreement (the “Development Agent Agreement”) dated _____, 20____. You have asked us to take the following action or to agree to the following request: _____

_____. We have the right under the Development Agent Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, each such foregoing person’s or entity’s respective agents, assigns, owners, directors, managers, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby fully and forever unconditionally release and discharge us and our affiliates, each such foregoing entity’s respective current and former officers, directors, owners, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “FSFC Parties”) of and from any and all claims (whether at law or in equity), damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”), that you and any of the other Releasing Parties had, has or may have had, but for this document, hereafter would or could have against any of the FSFC Parties, including without limitation, Claims (1) arising out of or related to any of FSFC Parties’ obligations under the Development Agent Agreement, or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the FSFC Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the FSFC Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

IF THE DEVELOPMENT AGENT BUSINESS YOU OPERATE UNDER THE DEVELOPMENT AGENT AGREEMENT IS LOCATED IN CALIFORNIA OR IF ANY OF THE RELEASING PARTIES ARE RESIDENTS OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE

OF ACTION AGAINST THE COCO FRESH PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE COCO FRESH PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

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

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Fantastic Sams Franchise Corporation
Franchisor

Development Agent

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Exhibit F: Representations and Acknowledgment Statement

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Fantastic Sams Franchise Corporation (“Franchisor”) that the person(s) signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Fantastic Sams franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I received a copy of the FDD, including the Development Agent Agreement, at least 14 calendar days (10 business days Michigan) before I executed the Development Agent Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.	INITIAL:
Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.	INITIAL:

I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.	INITIAL:
--	----------

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Development Agent Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature page follows]

DEVELOPMENT AGENT:

Sign here if you are taking the franchise as an
INDIVIDUAL(S)

(Note: use these blocks if you are an
individual or a partnership but the
partnership is not a separate legal entity)

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Sign here if you are taking the franchise as a
**CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP**

Print Name of Legal Entity

By: _____

Signature

Print Name: _____

Title: _____

Date: _____

Exhibit G: State-Specific Addenda and Riders to Development Agent Agreement

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
FANTASTIC SAMS FRANCHISE CORPORATION**

The following are additional disclosures for the Development Agent Agreement of FANTASTIC SAMS FRANCHISE CORPORATION required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure laws apply to you.

CALIFORNIA

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPL.CA.GOV.

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

Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document 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.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights

under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of State of Delaware. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement requires binding arbitration. The arbitration will occur in Wilmington, Delaware with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

MINNESOTA

1. Trademarks. The following sentence is added to the end of Item 13:

Provided you have complied with all provisions of the Development Agent Agreement applicable to the Marks, we will protect your rights to use the Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

2. Renewal, Termination, Transfer and Dispute Resolution. The following is added at the end of the chart in Item 17:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Development Agent

Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Development Agent Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchise Law, including, if applicable the right to submit matters to the jurisdiction of the courts of Minnesota.

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subd. 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 Development Agent Agreement.

Any release required as a condition of transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

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

NORTH DAKOTA

1. The following language is added to Item 17(r):

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

2. The following language is added to Item 17(u):

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

3. The following language is added to Item 17(v):

However, subject to your arbitration obligation, and to the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota.

4. The following language is added to Item 17(w):

, except as otherwise required by North Dakota law.

5. The following language is added to the end of Item 17(s) and Item 17(m):

However, any release required as a condition of assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

RHODE ISLAND

The following language is added to the end of Item 17:

Section 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. To the extent required by applicable law Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

VIRGINIA

The following language is added to the end of the “Summary” section of Items 17(e) and 17(h), entitled “Termination by franchisor without cause” and “‘Cause’ defined – non-curable defaults,” respectively :

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 Development Agent Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

WASHINGTON

The following paragraphs are added at the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with 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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded

by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

FANTASTIC SAMS ADDENDUM TO DEVELOPMENT AGENT AGREEMENT (Minnesota)

This Fantastic Sams Addendum to Development Agent Agreement (this “Addendum”) modifies and supersedes the Fantastic Sams Development Agent Agreement dated _____ (the “Agreement”) made and entered into by and between **FANTASTIC SAMS FRANCHISE CORPORATION**, a Delaware corporation having its principal place of business at 6901 East Fish Lake Road, #170, Maple Grove, MN 55369 (“**us**”), and the person or Entity identified on the signature page of this Agreement as the Development Agent (“**you**”). Capitalized terms used but not defined in this Addendum have meanings given under the Agreement.

This Addendum is annexed to and forms part of the Agreement and supersedes any inconsistent or conflicting provisions of the Agreement. This Addendum is being signed because (a) any part of the Territory is located in the State of Minnesota; and/or (b) any of the offering or sales activity relating to the Agreement occurred in State of Minnesota.

1. **NOTIFICATION OF INFRINGEMENT OR CLAIM.** The following sentence is added to the end of Section 12(e) (“Third-party Challenges”) of the Agreement:

Provided you have complied with all provisions of this Agreement applicable to the Marks, we will protect your right to use the Marks and will indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

2. **RELEASES.** The following is added to the end of Sections 2(d) (“Agreements/Releases”) and 10.C (“Transfer Conditions”) of the Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **NON-RENEWAL AND TERMINATION.** The following is added to the end of Sections 2(c) (“Grant of a Successor Development Term”) and 15(b) (“Termination by Us”) of the Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **GOVERNING LAW.** The following sentence is added to the end of Section 20(f) (“Governing Law”) of the Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 20(e) (“Right to Injunctive Relief”) of the Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

A court will determine if a bond is required.

6. **LIMITATION OF CLAIMS.** The following language is added to the end of Section 20(i) ("Limitation of Claim") of the Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

7. **MINNESOTA LAW.** Notwithstanding anything to the contrary contained in the Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

Each of the undersigned hereby acknowledges having read, understood and executed this Addendum on _____, 20____.

FRANCHISOR:

Fantastic Sams Franchise Corporation

By: _____
Name: _____
Title: _____

DEVELOPMENT AGENT:

By: _____
Name: _____
Title: _____

FANTASTIC SAMS ADDENDUM TO DEVELOPMENT AGENT AGREEMENT
(North Dakota)

This Fantastic Sams Addendum to Development Agent Agreement (this “Addendum”) modifies and supersedes the Fantastic Sams Development Agent Agreement dated _____ (the “Agreement”) made and entered into by and between **FANTASTIC SAMS FRANCHISE CORPORATION**, a Delaware corporation having its principal place of business at 6901 East Fish Lake Road, #170, Maple Grove, MN 55369 (“**us**”), and the person or Entity identified on the signature page of this Agreement as the Development Agent (“**you**”). Capitalized terms used but not defined in this Addendum have meanings given under the Agreement.

This Addendum is annexed to and forms part of the Agreement and supersedes any inconsistent or conflicting provisions of the Agreement. This Addendum is being signed because (a) an offer to sell is made in the State of North Dakota; or (b) an offer to buy is accepted in the State of North Dakota; or (c) if you are domiciled in the State of North Dakota, the designated Territory under the Development Agent Agreement is located in the State of North Dakota.

1. **NON-COMPETITION**. The following language is added to the end of Section 14 of the Development Agent Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

2. **RELEASES**. The following is added to the end of Sections 2(d) (“Agreements/Releases”) and 10.C (“Transfer Conditions”) of the Development Agent Agreement:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **PAYMENT OF AMOUNTS OWED**. The following language is added to the end of Section 16.(a) of the Development Agent Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

4. **ARBITRATION**. The following language is added to the end of Section 20(a) of the Development Agent Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which we and you mutually agree.

5. **GOVERNING LAW**. The following sentence is added to the end of Section 20(f) (“Governing Law”) of the Development Agent Agreement:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, and except as otherwise required by North Dakota law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the state in which your Territory is operated or is to be located, without regard to its conflict of laws rules, except that any state law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section.

6. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 20(e) (“Right to Injunctive Relief”) of the Development Agent Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **LIMITATION OF CLAIMS.** The following language is added to the end of Section 20(i) (“Limitation of Claim”) of the Development Agent Agreement:

The statutes of limitations under North Dakota law applies with respect to claims arising under the North Dakota Franchise Investment Law.

8. **WAIVER OF PUNITIVE DAMAGES; WAIVER OF JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Section 20(h) of the Development Agent Agreement is deleted.

9. **ENFORCEMENT.** Sections of this Agreement requiring you to pay all costs and expenses incurred by us in enforcing this Agreement 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.

Each of the undersigned hereby acknowledges having read, understood and executed this Addendum on _____, 20____.

FRANCHISOR:

DEVELOPMENT AGENT:

Fantastic Sams Franchise Corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**FANTASTIC SAMS ADDENDUM TO DEVELOPMENT AGENT AGREEMENT
(Rhode Island)**

This Fantastic Sams Addendum to Development Agent Agreement (this “Addendum”) modifies and supersedes the Fantastic Sams Development Agent Agreement dated _____ (the “Agreement”) made and entered into by and between **FANTASTIC SAMS FRANCHISE CORPORATION**, a Delaware corporation having its principal place of business at 6901 East Fish Lake Road, #170, Maple Grove, MN 55369 (“**us**”), and the person or Entity identified on the signature page of this Agreement as the Development Agent (“**you**”). Capitalized terms used but not defined in this Addendum have meanings given under the Agreement.

This Addendum is annexed to and forms part of the Agreement and supersedes any inconsistent or conflicting provisions of the Agreement. This Addendum is being signed because (a) you are domiciled in Rhode Island and the designated Territory under the Development Agent Agreement is located in the State of Rhode Island; and/or (b) any of the offering or sales activity relating to the Development Agent Agreement occurred in Rhode Island.

1. **GOVERNING LAW**. The following sentence is added to the end of Section 20(f) (“Governing Law”) of the Development Agent Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in the Development Agent 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.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

Each of the undersigned hereby acknowledges having read, understood and executed this Addendum on _____, 20____.

FRANCHISOR:

Fantastic Sams Franchise Corporation

By: _____
Name: _____
Title: _____

DEVELOPMENT AGENT:

By: _____
Name: _____
Title: _____

FANTASTIC SAMS ADDENDUM TO DEVELOPMENT AGENT AGREEMENT (Washington)

This Fantastic Sams Addendum to Development Agent Agreement (this “Addendum”) modifies and supersedes the Fantastic Sams Development Agent Agreement dated _____ (the “Agreement”) made and entered into by and between **FANTASTIC SAMS FRANCHISE CORPORATION**, a Delaware corporation having its principal place of business at 6901 East Fish Lake Road, #170, Maple Grove, MN 55369 (“**us**”), and the person or Entity identified on the signature page of this Agreement as the Development Agent (“**you**”). Capitalized terms used but not defined in this Addendum have meanings given under the Agreement.

This Addendum is annexed to and forms part of the Agreement and supersedes any inconsistent or conflicting provisions of the Agreement. This Addendum is being signed because (a) the offer is directed into the State of Washington and is received where it is directed; or (b) you are a resident of the State of Washington; or (c) the designated Territory under the Agreement is located, wholly or partly, in the State of Washington.

1. The following paragraphs are added to the end of the Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Development Agent Agreement 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 Development Agent Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Development Agent Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Development Agent Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

Each of the undersigned hereby acknowledges having read, understood and executed this Addendum on _____, 20____.

FRANCHISOR:

DEVELOPMENT AGENT:

Fantastic Sams Franchise Corporation

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

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	April 28, 2024 As amended: Pending
Illinois	April 28, 2024 As amended: Pending
Indiana	April 28, 2024 As amended: Pending
Michigan	April 28, 2024 As amended: Pending
Minnesota	Pending
New York	April 28, 2024 As amended: Pending
North Dakota	April 30, 2024 As amended: Pending
Rhode Island	May 15, 2024 As amended: Pending
South Dakota	April 28, 2024 As amended: Pending
Virginia	May 17, 2024 As amended: Pending
Washington	May 15, 2024 As amended: Pending
Wisconsin	April 28, 2024 As amended: Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit H: Acknowledgement of Receipt

EXHIBIT H – RECEIPT

(OUR COPY)

This disclosure document summarizes certain provisions of the master franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Fantastic Sams Franchise Corporation 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, Fantastic Sams Franchise Corporation or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Fantastic Sams Franchise Corporation 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and to the appropriate state agency listed on Exhibit A.

The franchisor is Fantastic Sams Franchise Corporation, 6901 East Fish Lake Road, #170, Maple Grove, MN 55369, (978) 232-5600. Any additional franchise sellers involved in offering the franchise are:

<input type="checkbox"/> Name of Franchise Seller:	<input type="checkbox"/> Name of Franchise Seller	<input type="checkbox"/> Name of Franchise Seller:
Thomas Boitz	_____	_____
Principal Business Address:	Principal Business Address:	_____
6901 East Fish Lake Road, #170	_____	Principal Business Address:
Maple Grove, MN 55369	_____	_____
Telephone No.: (978) 232-5600	Telephone No.: _____	Telephone No.: _____

The issuance date of this Franchise Disclosure Document is April 28, 2024, as amended May 28, 2024.

We authorize the agents listed on Exhibit A to receive service of process for us.

I have received a Disclosure Document of Fantastic Sams Franchise Corporation dated April 28, 2024, as amended May 28, 2024, that included the following exhibits:

Exhibit A	State Agencies/Agents for Service of Process	Exhibit E	Form of General Release
Exhibit B	Development Agent Agreement	Exhibit F	Representations & Acknowledgment Statement
Exhibit C	List of Current and Former Development Agents	Exhibit G	State Specific Addenda/Riders
Exhibit D	Financial Statements	Exhibit H	Receipts

Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Address: _____	Address: _____
City: _____ State: _____	City: _____ State: _____
Telephone: (____) _____	Telephone: (____) _____
Dated: _____	Dated: _____

FRANCHISOR COPY

Please complete and return to:

**Fantastic Sams Franchise Corporation
6901 East Fish Lake Road, #170, Maple Grove, MN 55369**

FRANCHISEE COPY

(YOUR COPY)

This disclosure document summarizes certain provisions of the master franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Fantastic Sams Franchise Corporation 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, Fantastic Sams Franchise Corporation or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Fantastic Sams Franchise Corporation 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and to the appropriate state agency listed on Exhibit A.

The franchisor is Fantastic Sams Franchise Corporation, 6901 East Fish Lake Road, #170, Maple Grove, MN 55369, (978) 232-5600. Any additional franchise sellers involved in offering the franchise are:

<input type="checkbox"/> Name of Franchise Seller:	<input type="checkbox"/> Name of Franchise Seller	<input type="checkbox"/> Name of Franchise Seller:
Thomas Boitz	_____	_____
Principal Business Address:	Principal Business Address:	Principal Business Address:
6901 East Fish Lake Road, #170	_____	_____
Maple Grove, MN 55369	_____	_____
Telephone No.: (978) 232-5600	Telephone No.: _____	Telephone No.: _____

The issuance date of this Franchise Disclosure Document is April 28, 2024, as amended May 28, 2024.

We authorize the agents listed on Exhibit A to receive service of process for us.

I have received a Disclosure Document of Fantastic Sams Franchise Corporation dated April 28, 2024, as amended May 28, 2024, that included the following exhibits:

Exhibit A	State Agencies/Agents for Service of Process	Exhibit E	Form of General Release
Exhibit B	Development Agent Agreement	Exhibit F	Representations & Acknowledgment Statement
Exhibit C	List of Current and Former Development Agents	Exhibit G	State Specific Addenda/Riders
Exhibit D	Financial Statements	Exhibit H	Receipts

Signed: _____
Print Name: _____
Address: _____
City: _____ State: _____
Telephone: (____) _____
Dated: _____

Signed: _____
Print Name: _____
Address: _____
City: _____ State: _____
Telephone: (____) _____
Dated: _____

63577721v4